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NEAR EAST & SOUTH ASIA

CONTENTS

NEAR EAST

REGIONAL

Bazargan Outlines Alleged Israeli Plot in Middle East (Mehdi Bazargan; AL-QABAS, 8 May 87)	1
---	---

EGYPT

Labor Minister Meets Counterparts at Geneva Conference (Haytham Sa'd al-Din; AL-AHRAM AL-DUWALI, 11 Jun 87)	6
---	---

Camp David Detractors Criticized (Salah Muntasir; AL-AHRAM AL-DUWALI, 11 Jun 87)	8
---	---

Briefs

Foreign Trade Balance	10
Hungarian Immigrants Arrive	10
Soviet Jewish Emigration	10
Oil Purchases	10

JORDAN

Oil Prospecting Agreement Signed With Canada (AL-DUSTUR, 19 May 87)	11
--	----

Export Statistics Announced (AL-DUSTUR, 19 May 87)	12
---	----

KUWAIT	
Government Strategies Deal With Declining Oil Revenues (AL-DUSTUR, 8 Jun 87)	16
SUDAN	
PCF Paper Interviews Sudanese Communist Leader (Ibrahim al-Nuqud Interview; L'HUMANITE, 23 Jun 87)	18
Paris Paper Views Civil War in Southern Sudan (Jean Gueyras; LE MONDE, 20 Jun 87)	20
SPLA Official Urges Forces To Capture Southern Towns (Joseph Oduho; Radio of the Sudanese People's Liberation Army, 24 Jun 87)	24
SYRIA	
Efforts To Improve Grain Marketing Discussed (AL-THAWRAH, 26 May 87)	26
Development of Railway System Traced (AL-THAWRAH, 24 May 87)	29
SOUTH ASIA	
AFGHANISTAN	
MUSLIM Commentary on New 'Flexibility, Creativity' in Moscow (Maleeha Lodhi; THE MUSLIM, 25 Jun 87)	32
BANGLADESH	
Papers Report on Visit of Soviet Deputy Foreign Minister (THE BANGLADESH OBSERVER, various dates)	36
Report on Dhaka Dinner	36
Cooperation, Trade Discussed	37
Talks With Deputy Prime Minister	38
Importance of Visit	38
Ershad Orders More Autonomy for Public Sector Bodies (THE NEW NATION, 23 Jun 87)	40
Reportage on Economic Developments, Plans (THE BANGLADESH OBSERVER, 4, 19 Jun 87)	41
High Cost of Debt Service	41
Report on 1987-88 Development Plan	42
Rise in GDP	43

Briefs	
Official in Moscow	45
Envoy From Albania	45
Envoy to Zimbabwe	45
New Vietnamese Ambassador	45
Envoy From UAE	46
Omani Ambassador	46
Bulgarian Ambassador's Credentials	46
New Senegalese Envoy	46
Ambassador to ROK	46
Italian Ambassador's Credentials	47
Norwegian Envoy's Credentials	47
Ambassador to PRC	47
New GDR Envoy	47
Oil From Iran	47
Bangladesh-PRC Trade	48
Diesel From USSR	48
Bangladesh-Soviet Education Pact	48
Chittagong Foreign Office Cell	48
INDIA	
Paper Reports U.S. Envoy's Remarks in Kashmir (THE TIMES OF INDIA, 22 Jun 87)	49
Ships To Stay Away From Northern Gulf Ports (THE STATESMAN, 15 Jun 87)	51
Papers Report Outcome of Talks With EEC at Brussels (THE HINDU, 13 Jun 87; THE TIMES OF INDIA, 15 Jun 87) ...	52
Delegation Leader's Remarks	52
Indo-EEC Agreement	53
Gandhi Addresses South Asian Foreign Ministers (PATRIOT, 19 Jun 87)	54
Observer Writes on Recent Visit of Anatoliy Dobrynin (I. K. Gujral; THE TELEGRAPH, 10 Jun 87)	55
Developments in Indo-Soviet Economic Relations (PATRIOT, various dates; THE TIMES OF INDIA, 7 Jun 87)	58
Soviet Expert Interviewed, by Rajiv Shah	58
Report on Moscow Talks	59
Remarks on Protocol Signing, by Rajiv Shah	60
Import Possibilities Surveyed	60
Civil Aviation Takes 'New Turn' With Soviet Planes, Advice (THE HINDU, 22 Jun 87)	62

Gandhi, Ziaul Haq Exchange Messages Before SAARC Meet (THE HINDU, 20 Jun 87)	63
Reportage on Developments in Sri Lanka Situation (PATRIOT, 18 Jun 87; THE TELEGRAPH, 16 Jun 87)	64
Gandhi Discussion With Opposition	64
Agreement on Relief Supplies	65
Bangladeshis in 'Illegal Occupation' of Border Area (THE TELEGRAPH, 14 Jun 87)	66
Tiwari Reports to Parliament Panel on PRC Stopover (THE TIMES OF INDIA, 24 Jun 87)	67
Report on Tiwari Speech to Nonaligned Ministers (PATRIOT, 10 Jun 87)	68
Joint Japanese Business Cooperation Panels Meet (THE TELEGRAPH, 19 Jun 87)	69
Reportage on Developments in Alleged Bofors Deal (Various sources, various dates)	70
Tiwari's 8 June Statement	70
Swedish Audit Report	71
Request to Bofors, by Paul Chutkow	73
INDIA TODAY Interviews Gandhi	74
Advice Against Cancellation, by K. Subrahmanyam	75
Statement From Gandhi	76
Fernandes Letter to Singh	77
Paper Reports Gandhi Interview With NAVBHARAT TIMES (THE TIMES OF INDIA, 14 Jun 87)	82
Arun Nehru Defends Gandhi Against Corruption Charges (THE TELEGRAPH, 20 Jun 87)	83
Coalition Ministry Assumes Office in Haryana (THE TIMES OF INDIA, 21 Jun 87)	84
Editorial on Meaning of Haryana 'Verdict' (R. K. Mishra; PATRIOT, 19 Jun 87)	85
Protests Against Orissa Test Range Continue, Expand (S. P. Nanda; THE TELEGRAPH, 9, 10 Jun 87)	87
Interim Test Range	87
Resistance Turns Militant	88

New West Bengal Tribal Organization Gaining Ground (THE STATESMAN, 5 Jun 87)	89
Writer Sees New Political Tendency in Muslim Youth (Bharat Bhushan; THE TIMES OF INDIA, 13 Jun 87)	90
Daman, Diu 'Delink' From Goa, Become Union Territory (THE TIMES OF INDIA, 17 Jun 87)	92
Congress-I MP's Say Opposition Briefed by Foreigners (THE TELEGRAPH, 18 Jun 87)	93
Former Kashmir Chief Minister Launches New Party (THE TELEGRAPH, 7 Jun 87)	94
CPI-M Leader Holds Hyderabad Press Conference (THE TIMES OF INDIA, 19 Jun 87)	95
Bahuguna Elected President of Lok Dal-B (THE TELEGRAPH, 20 Jun 87)	96
Text of Janata Leader's Second Letter to Singh (THE STATESMAN, 23 Jun 87)	97
Composition, Tasks of Finance Commission (THE TIMES OF INDIA, 18 Jun 87)	98
Economic Research Body on 1986-87 Growth (PATRIOT, 7 Jun 87)	99
Agricultural Exports Rise To Record Level in 1986-87 (THE HINDU, 16 Jun 87)	101
IRAN	
Majlis Approves New Regulations on Imports, Exports (KEYHAN, 1, 3 Jun 87)	102
Industrial-Mineral Exports	102
Imports From Gulf	105
Paper Assesses War Damages to Petrochemicals (S. Ashna; ARA, 10 May 87)	109
NEPAL	
Panchayat Member Suspended for Seeking Party Politics (AFP, 4 Jul 87)	112

PAKISTAN

Formation of TIP Breakaway Group Explained (THE MUSLIM, 22 Jun 87)	113
Commentary Views Possible Cooperation Between POG, PPP (Mohammad Waseem; THE MUSLIM, 22 Jun 87)	114
Sind Demands Share of Badin Oil Revenue (THE MUSLIM, 22 Jun 87)	116
Bhutto Says MRD Now Stronger (THE MUSLIM, 23 Jun 87)	117
Acquisition of Frigates Said Still Under Consideration (THE MUSLIM, 23 Jun 87)	118
Check Urged on Export 'Scandals' (Editorial; THE MUSLIM, 23 Jun 87)	119

/9987

REGIONAL

NEAR EAST

BAZARGAN OUTLINES ALLEGED ISRAELI PLOT IN MIDDLE EAST

Kuwait AL-QABAS in Arabic 8 May 87 p 17

[Article by Mehdi Bazargan: "Israel's Role in Iraq-Iran War"]

[Text] Simultaneously with recent revelations about covert contacts and talks between Iran and the United States, the subject of rapacious Israel's participation and the effective role it played in the case has been discussed and examined. There have been, and continue to be, widespread reports concerning Israeli sales or the transportation of arms to Iran, with certain foreign media indicating that the Zionist authorities played a part in influencing the U.S. government's decision to sell arms to Iran in exchange for the release of American hostages held in Beirut.

One report notes: "In August and September 1985 Israel sold \$400 million worth of tank and aircraft spare parts to Iran."

Another report says that a U.S. Navy security officer was sentenced to jail early this year on charges of espionage for Israel for providing the Israelis, in June 1986, with secret information concerning the possibility that South African-manufactured aircraft "Cactus" missiles would be sold to Iran.

In May 1986 U.S. customs officials arrested a retired Israeli general, two Israelis and a number of U.S., British, and French nationals who were planning the sale of \$3.6 billion worth of American weaponry, including missiles, aircraft and tank spare parts, and other materiel, to Iran. Two weeks later an Israeli colonel trying to sell 3,600 TOW missiles to Iran was arrested in Texas.

Media reports have it that Israel began selling weapons and spare parts to Iran 2 months after the start of the Iraq-Iran war, when American hostages were still being held in Iran. The Israeli authorities, naturally, denied any contact with anyone, while the Iranian authorities, in turn, denied official contact with Israeli authorities. On the other hand, Islamic Republic leaders, including Hashemi Rafsanjani, admitted, first, that they had succeeded in obtaining Iran's arms requirements and, second, that they were very well aware that the U.S. and Israeli intelligence service oversee and control all American arms sales.

Publication of such news items and reports, regardless of whether they are true, reveals that Israel is involved and has played an effective part in this destructive war that has wreaked such ruin, bloodshed, and loss of land and life on the Iraqi and Iranian peoples. That is why it is essential that we closely examine the goals of Israeli policies in the war and find out the course being taken by the Islamic Republic, which is waving the banners of fighting Israel and liberating Jerusalem.

Each of the warring nations, Iran and Iraq, has its own special stance and background in relation to the government of rapacious Israel. Israeli policy cannot possibly have been formulated without special attention to such a stance and background.

Iraq is one of the Arab countries that Israel considers to be a bitter foe, a country that has taken part in three wars against Israel. Iraq has accepted none of the truce agreements between the Arabs and Israel and is a staunch supporter of the PLO. These are the most important points the Israelis have in mind with regard to Iraq. Moreover the Iraqi army, in the view of Israeli experts, is the strongest Arab army, after that of Egypt.

Israel's attempts to weaken Iraq began in 1958, since 'Abd-al-Karim Qasim came to power. Israel gave significant support to the Kurdish movement against Iraq's central government. Iraq's involvement with the Kurds in the north markedly influenced the level of Iraqi participation in the 1967 and 1973 wars with Israel. Furthermore, the Kurdish uprising in Iraq was costing the government some \$4 billion a year, had tied up 80,000 Iraqi troops on that front for about 10 years, and resulted in 16,000 casualties.

Israel's concern is due to Iraq's size and potential in the region. Iraq earns substantial revenues and has considerable natural resources with a limited population. Given appropriate political, social, and economic conditions, such resources could be an impetus to the development and growth of Iraq's military and economic capabilities in the region.

Political regimes in the Arab world do not enjoy very much stability. While an Arab state may today be governed by a pro-eastern or pro-western regime, there remains a strong likelihood that such a regime will be changed and replaced by a new government with totally different policies and inclinations. Consequently Israel's sole fear is one of Iraq's military ability, and indeed the same is true with regard to such countries as Saudi Arabia, Kuwait, Jordan, and Egypt, which have strong ties to the west. Hence, Israel's long-term strategy is based on preventing military, economic, and political progress and stability in all Arab countries. This policy is pursued in all cases regardless of what Arab government is in power. Israel's objection to sales of strategic arms to Jordan, Kuwait, and Saudi Arabia is the outcome of that strategy; Israeli experts consider the fall of the shah in Iran as one of the best examples justifying their strategy.

Iran's relations with Israel were extremely close and cordial in the days of the royal dictatorship. Israel had managed to become very close to Iran and Turkey, two non-Arab Muslim states. By means of its singular relations

with the west, particularly the United States, Iran had been able to increase its military and economic might noticeably in relation to the countries of the region, had been able to procure strategic arms from the United States and the west, and had substantially improved its fighting capability. However, the monarchy's instability ultimately led to its downfall and the victory of the Islamic revolution. All the country's capacity and potential thus fell into the hands of a new force with a background that was an extension of hostility to Zionism and the government of rapacious Israel.

Israel's long-term strategy is founded, regardless of the regime in power, on destroying Iraq's military and economic potential. Naturally, any attrition of Iraq's war machine is a continuing bonus to the violators of Jerusalem.

Does this mean, however, that Israel hopes for and desires an Iranian victory over Iraq?

We believe the answer is no.

Although Israel enjoyed outstanding, close, and cordial relations throughout the shah's reign, the Iranian people have been hostile to Zionism from the earliest days of the war between Zionists and Palestinians. Ever since rapacious Israel was planted in the heart of the Muslim states with the assistance of Britain and the United States and the support of the Soviet Union, the overwhelming majority of Iranians and Islamic political organizations have supported the cause of the Palestinians. Relations between Iran and Israel were severed on the instructions of the late Dr Musaddiq's nationalist government. Fighting the Zionists and supporting the struggle of the heroic Palestinians have always been two of the main lines pursued during the reign of the royal dictatorship when foreigners dominated our country.

With the fall of the monarchy and the victory of the Islamic revolution, Israel not only lost its special status in this country but was faced with a people supporting the Palestinians and demanding the liberation of Jerusalem and the eradication of the virus of corruption from the heart of Muslim territory. It thus found itself face to face with the same dangers it faced in the Arab countries, this time in Iran. And although Israel lost a trusted ally in the region with the victory of the Islamic revolution, it managed, by means of the Camp David accord, to score a resounding success, removing one of its greatest enemies--Egypt--from the Arab world, with title to leadership once held by Jamal 'Abd-al-Nassir being transferred to Saudi Arabia.

Iraq's advances on Iran and its penetration of Iranian territory, which was considered an Iraqi prelude to taking over Arab leadership, aroused the concern of certain circles in the Zionist regime over Iraq's expanding and growing military prowess. That is why Israeli reports mentioned that Israel began selling arms to Iran months after the war began. It appears that the Iraq-Iran war provided Israel with an appropriate opportunity to reach out for its long-term strategic goals in Iran and in Iraq, and to remove, or at least mitigate, the dangers threatening it in the future.

Israeli experts hold two theories regarding Israel's strategy concerning the Iraq-Iran war:

It is said that some Zionists consider Iraq their strategic foe and hold that an Iraqi victory in the war would be a menace. The head of Israeli intelligence has declared that an Iraq victory can be considered a nightmare for Israel. This faction not only resists the idea of any Iraqi victory but would like to see the country balkanized. This view has been made public by certain Israeli authorities and military personnel, who have said: "(Israel's) hope and desire are that Iraq be partitioned into a Shi'ite region in the south, Kurdistan in the north, and a Sunni region in the center, with constant disputes and clashes between them.

Some Israeli military strategists believe that Israel may have some long-term strategy concerning Iraq, with Turkey occupying Jurdistan, Iran occupying the Shi'ite areas in the south, and the west being annexed to Syria.

Whether Turkey can possibly occupy or gain dominance over Iraqi Kurdistan is doubtful. The "downfall of Baghdad" would be an appropriate historical opportunity for Kurdish nationalism to achieve its aspirations to set up a Kurdish state, in which case the issue would not be limited to the Iraqi Kurds but would include those in Turkey and Iran as well. Israel for its part would welcome an independent Kurdish state in the region. A Zionist plan called the "Lewis line" supports the establishment of Kurdish states along the lines of Kurdistan, Azerbaijan, Baluchistan, Turkmenistan, Arabistan (Khuzestan), and Armenistan. Partition of Iraq into three regions, Kurdish, Sunni, and Shi'ite, would shift the current balance of relations in the region entirely in Israel's favor. The dimensions of any such eventuality would be so vast as to cover up the Palestinian issue altogether.

The other faction of Zionist experts frankly rejects the theory, saying that because Iran is an enemy of Iran, it can therefore be a friend of Israel. This faction contends that Iran too is an Israeli foe, just as it is an enemy of Iraq, and it is not in Israel's favor to help indirectly a regime that is as hostile to Israel as it is to Iraq. They also say that Iraq has no frontiers with Israel, whereas Iran is, in effect, poised on Israel's borders because of its religious vocation and identity. Lebanon's Shi'ites, who are influenced by the Islamic revolution in Iran, have intensified their activities against Israel.

The faction referred to, in voicing its objections, says that a balance has been achieved between the Arabs and Israel and that "any Iranian victory in the war with Iraq will swell the revolutionary tide in the region," which might change moderate Arab regimes and hence upset the political balance in the region, which would not be in Israel's favor. Those Israeli experts claim that "Iran's victory over Iraq will be far more dangerous than an Iraqi victory as far as Israel is concerned."

The utmost that Iraq hopes to gain is a "truce" in order to demobilize its forces as far as possible to use them to build up the country. It is very unlikely that it will drive its forces into a war with Israel.

Those Israelis believe that Iraq's threat, if it wins, will be along classic lines whereas an Iranian menace will be ideological and could well change prevailing political patterns.

Does that Israel argument mean that they foresee an Iraqi victory over Iran? That does not seem to be the case. The Iraqi army has gained practical and field experience in the war and has been able to use chemical and laser weapons, aim missiles and bombs, and refuel in flight. Iraqi pilots have trained on state-of-the-art aircraft from the east and the west. Taking into account the political turbulence in the region and the instability of its regimes, Iraq with its military capability, will constitute a serious and strategic threat to Israel.

In view of the points made, Israeli experts unanimously prefer one thing, namely that the Gulf war continue or come to an end without victor or vanquished.

How can such a stalemate be reached?

A study of the last 40 years of warfare shows first that no war has been as widespread as the Iraq-Iran war and, second, that none has resulted in victor and vanquished, because of the attrition of economic and military human resources.

In other words, the government of rapacious Israel and the major powers supporting it prefer that the war not come to an end and that there be no victor nor vanquished. Whenever one side grows stronger, it promptly reinforces the other in order to fan the flames lest spark lead to the hope that the war will end in another way than the one they desire, and thereby exhaust and extinguish the economic and military capabilities of both countries.

It is up to Iran's leaders and decision makers with regard to the war to think how they can counter that strategy. Is not continuation of the war, at any price and in any way, not movement along the course charted in the strategy of the enemies of Iran and Islam? Should they not come to their senses and think about how they can counter that strategy seriously and fundamentally? How will they answer to Allah, history, and their people on the morrow? How can those who condemn refugee camp warfare and demand that Israel be fought against justify continued hostilities between two Muslim peoples who together could constitute in the future a force marshalled against the violators of Jerusalem, shedding the blood of hundreds of thousands of Muslims?

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LABOR MINISTER MEETS COUNTERPARTS AT GENEVA CONFERENCE

Cairo AL-AHRAM AL-DUWALI in Arabic 11 Jun 87 p 3

[Article by Haytham Sa'd al-Din from Geneva: "Regulating Employment of Egyptian Manpower in Arab States; ILO Urges Solution to Developing Country Debt"]

[Text] Minister of Labor, 'Asim 'Abd-al-Haqq has been conferring in the lobbies of the ILO Conference in Geneva with eight labor ministers from Saudi Arabia, Jordan, Iraq, Bahrain, the United Arab Emirates, Tunisia, Ethiopia, and Tanzania, to examine ways of strengthening bilateral relations in the fields of labor and manpower, and to find a framework within which to regulate employment of Egyptian manpower in the Arab countries, with the Ministry of Labor meeting the needs of those countries.

At its morning session yesterday, ILO urged full cooperation by the developed and developing countries to find solutions to the Third World debt problem facing the developing countries as they strive to achieve their economic development.

Saudi Minister of Labor Muhammad 'Ali Fayiz stressed during his meeting with the Egyptian minister of labor that his country favors employing Arab expatriates, especially Egyptians, because they tend not to get involved in politics. Recruitment of Egyptians has increased in the fields of education, health, business enterprises, and services. The Kingdom sees to it that all their problems are solved, and ensures that they receive their entitlements from their employers.

Iraqi Minister of Labor Bakr 'Abd-al-Rasul paid tribute to the role of Egyptian workers in Iraq in implementing development plans and projects. He mentioned that Egyptian workers in Iraq number over 1 million, and that their problems are taken care of as they arise. He stressed that ministry agencies are cooperating closely with the Egyptian labor bureau in Baghdad.

An agreement was made with Shaykh Khalifah Ibn-Salim, Bahrain's minister of labor, that Egypt would provide Bahrain with its experience in the fields of vocational training and manpower planning.

Khalid al-Haj, Jordan's minister of labor and community development, underscored the fact that Egyptians enjoy priority in employment by Jordan's labor market, and that their problems are taken care of as they arise.

Hedi Baccouche, Tunisian minister of social affairs and labor, expressed his country's appreciation for Egypt's pioneering role in the region, and asked the minister to convey President Bourguiba's greetings to the people of Egypt and to President Husni Mubarak.

United Arab Emirates undersecretary for labor Ahmad Utayyij pointed out that his country's policy is based on according priority to Arab manpower, particularly Egyptian, and that employment required in the Emirates' labor market is concentrated primarily on maintenance work.

The minister of labor extended an invitation to his counterparts from Saudi Arabia, Iraq and Bahrain to visit Egypt at dates to be scheduled later.

In other developments, today Egypt will take part in elections in Geneva for 56 seats on the ILO Board of Directors in its new 3-year session beginning this June. Egypt nominated two candidates: Hasan 'Id, secretary of the external trade union in the Egyptian confederation of trade unions, for a seat representing workers, and 'Adil Jazarin, president of the Federation of Egyptian Industries, for a seat representing employers.

13921/8309
CSO: 4504/261

CAMP DAVID DETRACTORS CRITICIZED

Cairo AL-AHRAM AL-DUWALI in Arabic 11 Jun 87 p 7

[Column by Salah Muntasir]

[Text] Arabs today who talk about abrogating Camp David and try to incite Egypt are doing exactly the same thing as they did in 1967 when they pressured Jamal 'Abd-al-Nasir into closing the Gulf of 'Aqabah which had been open to Israel since 1956, thereby provoking the 1967 disaster.

The same scenario, with a different set of characters, is being played out again today.

I do not think President Husni Mubarak felt very happy about having to declare on television, to those who have called for the abrogation of Camp David, that its cancellation would mean a new war between Egypt and Israel. Nevertheless the President was forced to say it outright in order to confront those who maintain that view, with the following clear facts:

1. Camp David is a peace treaty between Egypt and Israel and the framework for an agreement to solve the Palestine issue.
2. The Egyptian-Israeli peace agreement was executed to implement the "land for peace" principle, which is the same principle as that adopted by the Arabs at the Fez conference.
3. As far as the solution of the Palestine question is concerned, Egypt has refused to pursue the matter on the basis that it fails to ensure self-determination of Palestinian territory. Since Egypt feels that if anyone should speak on behalf of the Palestinians it should be the representatives of the Palestinians themselves, the Palestinian card has been frozen and has become a historical document to which the parties to the issue must surely some day return.
4. If the demand is that the Camp David be abrogated, or, as some see fit to put it, that we liberate or distance ourselves from Camp David, as mentioned in the recent PNC resolution, this can only mean abrogation of the Egyptian-Israeli peace treaty, or returning to the state of war that earlier existed between both countries.

5. Let's assume that the world views Egypt as a state that does not honor its treaties and commitments. In that case a state of war with Israel is subject to numerous possibilities. It is possible that Israel would not take action. It can also be possible that Israel would launch provocative operations which would entail more serious consequences. But in any case, Egypt's policies must be changed, and consideration must be given to the fact that its armed forces, in a state of war, must be assured of all their needs before anything else.

6. When all is said and done, Camp David is the sum of an equation involving Egypt's defeat in 1967 and its victory in 1973.

Before 5 June we called for the liberation of Palestine. After 5 June we called for elimination of the traces of aggression on occupied territory and made no mention of liberating Palestine.

Because we can find no Palestine, we blame Camp David rather than find fault with 1967.

13291/8309

CSO: 4504/261

BRIEFS

FOREIGN TRADE BALANCE--In the second quarter of 1987, the trade deficit dropped by 15.5 percent as compared with January-March, as a result of a 16 percent increase in exports and a 4 percent increase in imports. This was reported by the spokesman of the Central Bureau of Statistics on the basis of preliminary data which do not include trade between Israel and Judaea, Samaria and the Gaza District. The spokesman added that in the first six months of the year, the trade deficit totalled \$1.6 billion--an increase of approximately \$500 million or 44 percent, as compared with the corresponding period last year. This increase stemmed from a 23 percent growth in import (\$1 billion) partially offset by a 16 percent increase in exports (\$500 million). In January-June 1987, net exports totalled \$3.9 billion, as compared with \$3.33 billion in the corresponding period last year. [Excerpts] [Jerusalem GOVERNMENT PRESS OFFICE in English 8 Jul 87 [no page given] TA] /8309

HUNGARIAN IMMIGRANTS ARRIVE--Jewish family from Budapest arrived in Israel last night. The Herbst family legally requested permission to immigrate, and was surprised by obtaining the right to do so within a relatively short period of time. The family was consequently the first in years to arrive from Hungary legally. [Summary] [Tel Aviv YEDI'OT AHARONOT in Hebrew 2 Jul 87 p 16 TA] /8309

SOVIET JEWISH EMIGRATION --In June, 760 Jews left the Soviet Union, compared to 871 in May. Hayim Aharon, the head of the Jewish Agency's Immigration Department, said that it is hard to determine at this point whether this indicates a trend that is expected to continue, or a phenomenon resulting from technical problems. He expressed disappointment over the fact that the special efforts to absorb Soviet Jews notwithstanding, the dropout rate in June reached 85 percent. Some 3,100 Jews have left the Soviet Union since the beginning of the year, of whom approximately 2,400 have dropped out in Vienna. [Text] [Jerusalem Domestic Service in Hebrew 1600 GMT 30 Jun 87 TA] /8309

OIL PURCHASES--In 1986 Israel purchased 7.4 million tons of crude oil--an increase of 17 percent compared with 1985--but, because of the low prices in the world market, the expenditure on oil purchases totalled \$900 million compared with \$1.5 billion in 1985. According to data from the Central Bureau of Statistics and the Ministry of Energy, it turns out that the rise in consumption of fuel products in 1986 was less than that in purchases: some 10 percent in benzine consumption, 5 percent in crude oil consumption, and lesser increases in the consumption of diesel oil and kerosene. [Excerpt] [Tel Aviv HA'ARETZ in Hebrew 1 Jul 87 p 5 TA] /8309

OIL PROSPECTING AGREEMENT SIGNED WITH CANADA

Amman AL-DUSTUR in Arabic 19 May 87 p 9

[Text] Amman--Sahar Abu Hajalah--An agreement was signed the day before yesterday between the Natural Resources Directorate and the Canadian Westburne Company to cooperate in drilling for oil.

Engineer 'Abd-al-Ilah al-Rusan, director of the petroleum department in the directorate, said that the agreement guaranteed a drilling rig and its crew to drill a number of wells in various regions of the kingdom over the space of a year, extendable to a second year at the request of and under the supervision of the directorate.

The oil drilling rig, which has the ability to reach a depth of no less than 5,000 meters, will operate for a period not to exceed 60 days from the signing of the agreement.

The Canadian company will be remunerated on a daily basis during the period of its presence in Jordan at a rate amounting to \$8,900.

The company will present a bank guarantee of \$450,000, \$150,000 of which will cover customs, and the remaining \$300,000 to be a guarantee of for satisfactory performance.

It should be mentioned that the general director of the Natural Resources Directorate, Mr Kamal Juraysat, is currently making a working visit to the United States and Canada to attend the International Petroleum Conference in Houston, to visit the companies with which the authority has contracted so as to become acquainted with their activities at their permanent headquarters, and to visit the Core Lab Company, which is making detailed topographical studies of oil drilling operations in the area of Hamzah Field.

Mr Kamal Juraysat received an invitation from the Petro-Canada organization, which has contracted with the Natural Resources Directorate to carry out a program to study the possible presence of oil in Jordan, to agree with them on a working formula, with a volume of work amounting to \$19,200,000 [Canadian dollars] to be spent over 2 years.

12937/12851
CSO: 4404/405

EXPORT STATISTICS ANNOUNCED

Amman AL-DUSTUR in Arabic 19 May 87 p 9

[Article: "Jordanian Industrial Exports of 15 Million Dinars During 2 Months; 30 Percent of Jordan's Exports Went to Iraq; Agricultural Exports Form 20 Percent of Total"]

[Text] The value of Jordanian exports during the first 2 months of this year, including Jordanian products for which certificates of origin were issued at the Amman Chamber of Industry, but not including exports of raw phosphates and exports for which certificates of origin were issued by the other chambers of commerce in Jordan, amounted to 15,026,673 dinars.

Statistical figures announced by the Amman Chamber of Industry indicated that Jordanian exports to Iraq amounted to 4,518,535 dinars, to Saudi Arabia 2,955,918 dinars, to Egypt 2,165,265 dinars, to Syria 492,708 dinars, and to Kuwait 256,643 dinars. The value of Jordanian exports to the remaining Arab states amounted to 1,405,400 dinars, while Jordanian exports to the other countries of the world during the months of January and February amounted to 3,231,204 dinars.

Looking at the distribution of Jordanian exports by sectors of production, during the months of January and February we find that Jordan's exports of leather products amounted to 127,337 dinars.

Therapeutic Products

Exports of therapeutic products amounted to 2,049,185 dinars. Of this amount, 720,758 dinars went to Iraq, 930,239 dinars to Saudi Arabia, 64,603 dinars to Egypt, 4,731 dinars to Syria, 18,393 dinars to Kuwait, 261,746 dinars to the remaining Arab states, and 48,715 dinars to the other countries of the world.

Plastics and Rubber

Exports of plastic and rubber products during the first 2 months of this year amounted to 260,323 dinars. Of this amount, 135,885 dinars went to Iraq, 72,835 dinars to Saudi Arabia, 19,000 dinars to Syria, 5,298 dinars to Kuwait, and 27,289 dinars to the remaining Arab states.

Exports from the chemical industries amounted to 2,769,000 dinars. Of this amount, 664,833 dinars went to Iraq, 820,448 dinars to Saudi Arabia, 126,145 dinars to Egypt, 442,066 dinars to Syria, 40,000 dinars to Kuwait, 67,615 dinars to the remaining Arab states, and 607,924 dinars to the other countries of the world.

The value of Jordan's exports of cosmetic preparations and perfumes amounted to 220 dinars. These went only to Saudi Arabia.

Engineering Industries

Jordanian exports from the engineering industries during the months of January and February amounted to 1,520,523 dinars. Of this amount, 71,750 dinars went to Iraq, 92,630 dinars to Saudi Arabia, 1,125,178 dinars to Egypt, 17,565 dinars to Syria, 23,698 dinars to Kuwait, 50,152 dinars to the remaining Arab states, and 139,550 dinars to the other countries of the world.

Furniture, Stoves, and Doors

The value of Jordan's exports of furniture, stoves, and wooden and metal doors during the first 2 months of this year amounted to 224,735 dinars. Of this amount, 105,656 dinars went to Iraq, 9,000 dinars to Saudi Arabia, 3,630 dinars to Kuwait, and 106,445 dinars to the remaining Arab States.

Construction Industries

Jordan's exports from the construction industries during the same period amounted to 678,430 dinars. Of this amount, 32,747 dinars went to Iraq, 308,132 dinars to Saudi Arabia, 299,331 dinars to Egypt, 29,820 dinars to Kuwait, and 8,400 dinars to the remaining Arab states.

Printed Goods and Paper

The value of Jordan's exports of printed goods, paper, and office supplies during the same period amounted to 241,321 dinars. Of this amount, 189,892 dinars went to Iraq, 38,939 dinars to Saudi Arabia, 305 dinars to Egypt, and 12,185 dinars to the remaining Arab states.

Food Products

The value of Jordan's exports from the food industries during the same period amounted to 1,202,467 dinars. Of this amount, 487,879 dinars went to Iraq, 380,518 dinars to Saudi Arabia, 20,069 dinars to Egypt, 9,330 dinars to Syria, 110,450 dinars to Kuwait, 194,209 dinars to the remaining Arab states, and 12 [as published] dinars to the other countries of the world.

Textiles

Jordan's exports of textiles during January and February amounted to 2,338,325 dinars. Of this amount, 1,766,700 dinars went to Iraq, 2,974 dinars to Saudi Arabia, 321,944 dinars to Egypt, 13,162 dinars to Kuwait, 66,147 dinars to the remaining Arab states, and 167,398 dinars to the other countries of the world.

Packaging and Wrapping

The value of Jordanian exports of packaging and wrapping materials during the same 2 months amounted to 400,517 dinars. Of this amount, 267,221 dinars went to Iraq, 90,333 dinars to Saudi Arabia, 3,750 dinars to Egypt, 2,699 dinars to Kuwait, 26,714 dinars to the remaining Arab states, and 9,800 dinars to the other countries of the world.

Agricultural Industries

The value of Jordan's exports from agricultural industries during the first 2 months of this year amounted to 3,180,222 dinars. Of this amount, 75,214 dinars went to Iraq, 200,819 dinars to Saudi Arabia, 204,940 dinars to Egypt, 9,429 dinars to Kuwait, 432,000 dinars to the remaining Arab states, and 2,257,805 dinars to the other countries of the world.

The value of exports from miscellaneous industries during the same period amounted to 33,973 dinars. Of this amount, 8,827 dinars went to Saudi Arabia, and 25,146 dinars to the remaining Arab states.

Iraq and Saudi Arabia

From the January-February 1987 statistics on Jordanian exports for which certificates of origin were issued by the Amman Chamber of Industry, it can be seen that Iraq occupied first place in receiving Jordanian exports, with these exports forming 30 percent of total exports. Saudi Arabia came in second among the Arab states, while the non-Arab states came in second in terms of total exports.

Agricultural Exports in the Forefront

Regarding the distribution of exports by sector, exports from the agricultural industry sector came in first, with their share amounting to 20 percent of total exports. Exports of fertilizers to the countries of the world formed the great majority of exports from the agricultural industry sector.

Exports from the chemical industry sector came in second place, while the textile sector came in third. It is to be noted that this sector's exports to Iraq were mostly cotton yarns and broadcloth. However, finished clothing constituted the largest part of exports to other countries, especially the United States. The majority of exports of therapeutic products went to Iraq and Saudi Arabia.

Decline of Exports From 1986

Comparing total exports for the corresponding period of 1986, it becomes clear that there has been a decline in exports for 1987, which amounted to about 15,000,000 dinars, against about 20,000,000 dinars in the same period of 1986. This can be attributed to a decline in exports from the agricultural industry sector, the majority of whose exports consist of fertilizers. During January and February 1986, the value of these exports amounted to about 5,500,000 dinars. In the corresponding period of 1987, it amounted to 3,100,000 dinars. An additional reason for the decline in exports was the decrease in exports from the construction industry sector in 1987, which amounted to 678,000 dinars, in comparison with 3,485,000 dinars in the corresponding period of 1986, on account of the decrease in exports of white cement.

12937/12851

CSO: 4404/405

GOVERNMENT STRATEGIES DEAL WITH DECLINING OIL REVENUES

London AL-DUSTUR in Arabic 8 Jun 87 p 38

[Text] The Kuwaiti economy is influenced by two factors which cannot be ignored. The first factor is the drop in Kuwaiti oil production and its impact on oil income. The second factor is the severe debt crisis caused by the collapse of the al-Manakh capital market. Kuwaiti Finance Minister Muhammad Jassim al-Khurafi believes that the scare created by inaccurate reports on the Kuwaiti economy is unwarranted, since the economy has already sidestepped all critical pitfalls.

The petroleum sector accounts for more than half the GNP of Kuwait. Petroleum income fell by approximately one fourth as a result of the collapse in oil prices and the escalation of the Iraq-Iran war. This had a negative impact on non-petroleum sectors, whose contributions to the GNP in 1986 were 6 percent lower than in the previous year. Kuwait's general revenues therefore suffered a noticeable decline that came to be known in the Gulf press as the end of the economic "boom" in the region, which began in the 1970's.

The Al-Manakh market collapse created a debt crisis of huge proportions which contributed directly to stagnating economic performance in general.

The Kuwaiti government's strategy seems committed to the decisions of OPEC ministers, but seeks to increase refined petroleum production by expanding Kuwaiti refinery capacity and infusing the economy with part of the return on the country's investments and reserve funds abroad. The Kuwaiti minister of finance estimates those returns at no less than two billion Kuwaiti dinars annually. Kuwait believes this to be the only way to contain the impact of oil revenue loss.

In dealing with the aftermath of the Al-Manakh crisis, the Kuwaiti government diligently implemented a precise and detailed program to settle larger debts. It is easily the largest domestic program for rescheduling local loans. To facilitate this program, the government has declared its obligation to guarantee stated investors' rights until the end of 1985, as long as the loans are rescheduled over 10 to 15 years, depending on each debtor's cash flow.

Kuwaiti economists expect this program to create a favorable climate for economic institutions affected by the crisis that would spur them to resume their stock and real estate activity. The program is also expected to have a direct impact on stimulating competition for sound loans.

The Kuwaiti government hopes that oil prices will show stability or reasonable gains over current levels, which would help it deal with general budget deficits. Even though Kuwaiti finance officials insist that Kuwait has a current account surplus (about 1.8 billion dinars in 1986), certain businessmen warn that the general budget deficit tends to increase faster than the income from Kuwaiti reserves, which could lead to a serious national deficit.

The last Kuwaiti census, conducted in 1985, puts the population at 1.6 million. The Kuwaiti citizen still enjoys the highest per capita income in the world, (approximately \$18,270, according to a 1984 report). According to information attributed to OPEC, Kuwaiti oil reserves are estimated at 93 million barrels. According to its current 5-year plan (1985-1990), the government hopes to achieve an average annual GDP growth of 3.9 percent. The government is diligently pursuing a program to diversify economic resources in order to reduce dependence on oil; this will be accomplished by developing and supporting the industrial, commercial, and service sectors so they will increase their contribution to the national economy.

Economic conditions prompted the government to adopt a relatively "austere" budget for 1987 in which general spending was reduced by up to 11 percent. However, the Kuwaiti finance minister believes that implementing this strategy will be facilitated by singling out the least productive areas of industry and concentrating on developing them. The government has also decided to cut its expenditures for goods and services by 36 percent and to substantially reduce its foreign aid.

Kuwait has the economic advantage of successful commercial and banking sectors with a good European reputation gained by continued presence in Western money markets. Kuwait's annual allotment for foreign aid is approximately \$1 billion (about 3.8 percent of GNP). Western sources estimate Kuwaiti reserves of natural gas at approximately a "million million" cubic meters. Since gas production is a function of the oil fields, it fluctuates with the production of oil. Kuwait has reached an agreement with Iraq to build a pipeline to transport Iraqi gas to Kuwait to help meet its domestic demand for natural gas.

12945
CSO: 4404/408

PCF PAPER INTERVIEWS SUDANESE COMMUNIST LEADER

PM261510 Paris L'HUMANITE in French 23 Jun 87 p 16

[Interview with sudanese Communist Party General Secretary Ibrahim al-Nuqud by Michel Muler in Paris--date not given]

[Text] Sudanese Communist Party [SCP] General Secretary Ibrahim al-Nuqud recently visited France at the PCF's invitation. During that visit he granted an interview to L'HUMANITE.

Sudan, a country four times as big as France, situation south of Egypt, and inhabited by more than 20 million people, has experienced two long periods of dictatorship--from 1960 to 1964 under Marshal Abbud, and from 1971 to 1985 under Numayri's bloody rule. The latter established his power in Khartoum by murdering SCP General Secretary 'Abd al-Khalid Mahjub and the entire party leadership in 1971. Forced into a clandestine existence since that time until the people's uprising on 6 April 1985, the party, headed by Ibrahim al-Nuqud, constantly strove to unite all the forces opposed to dictatorship.

On 20 April 1985, Ibrahim al-Nuqud told L'HUMANITE special envoy Jean George: "If our people are capable of overthrowing Numayri, they will be capable of ousting his minions."

"Over the past 2 years," the SCP general secretary now states, "our people have achieved great progress. Numayri and his institutions have been essentially eliminated. The Sudanese have regained their political freedom, and the dictatorship's security organs have been dissolved. Foreign policy has changed direction in favor of an nonaligned approach."

"But, at the same time, our people still have to abolish parts of the legislation introduced by Numayri. These are primarily the Shar'ah (Islamic law which, on the pretext of a return to Islam's roots, enabled relentless repression to be used) and other undemocratic laws. In addition, the social forces--the parasitic capitalist class and the bureaucrats--which benefited the former regime, are still resisting democratization."

[Muller] What are you tasks?

[al-Nuqud] First, economic reform, the democratization of the electoral system, and the recovery of the wealth stolen by parasites.

[Muller] Since 1983 in the south of the country--which is mainly Catholic and animist--the SPLM, headed by John Garang, has been waging an armed struggle.

[al-Nuqud] This is a new national force which has gone beyond its regional and ethnic limits. This movement raises the question of the south and the national minorities in the political, economic, and social context of seeking a solution to the crisis. We think that this is a major step forward, not only for Sudan but also for the whole of Africa. The SCP has tactical disagreements with the SPLM, but we support its demand for a constitutional conference at which all the country's political and social forces would be represented. This will make it possible to define the future nature of the country's government, the conditions for economic development, a fairer redistribution of the national wealth, relations between religion and the state, equality among Sudan's different nationalities, and Sudan's national identity.

[Muller] There was recently a government crisis in Sudan.

[al-Nuqud] This is a result of the failure of the ruling coalition parties to solve the country's fundamental problems. In Africa, this kind of crisis usually heralds a coup d'etat. If that was the case, our party and the people's forces would make every effort to prevent it.

[Muller] Al-sadiq al-Mahdi, the leader of the ruling coalition, promised to abolish the Shari'ah and return to secular legislation.

[al-Nuqud] In fact, all the patriotic and national forces, aside from the Muslim Brotherhood, are in favor of abrogating the Shari'ah. But the government, which depends on the support of the religious sects, and whose strategy consists of implementing an "Islamic Constitution" is reluctant to provide a final solution to the problem. Al-Mahdi is proposing what he calls "alternative legislation" which would amount to applying the Shari'ah to the Muslims and secular legislation to other Sudanese. This solution is impossible to implement and dangerous for national unity.

[Muller] Sudan is a poor country,, despite its natural resources. There is a constant risk of famine.

[al-Nuqud] Nothing much has been done to introduce economic reforms. However, the IMF has failed to force us to devalue our currency again. The powers of the banks have been partly limited. Measures have been taken against comprador property owners. But the civil war in the south is swallowing up a large proportion of the country's resources. There are in fact real prospects. We have had good harvests for 2 years. We must now rehabilitate and develop the national industrial sector, remove the banks' privileges, and increase wages. Sudan is, of course, suffering the effects of the capitalist crisis. But a national recovery policy is possible, and we have the means of implementing it. Our people are capable of achieving this too. The solution is not far off.

/12232

CSO: 4500/119

PARIS PAPER VIEWS CIVIL WAR IN SOUTHERN SUDAN

FM300740 Paris LE MONDE in French 20 Jun 87 p 3

[Jean Gueyras dispatch: "In the War Against the Rebels, the Tribal Militia Have Taken Over From a Faltering Army"--names of tribes in parentheses as published]

[Text] More than 1 year after al-Sadiq al-Mahdi came to power, nothing has been done to end the civil war in the south. Like their predecessors on the transitional Military Committee, which took power on 6 April 1985 after the departure of Ja'far Numayri, Khartoum's new civilian government has been surprisingly passive in this sphere.

All the indications are that Mr al-Sadiq al-Mahdi has abandoned hope of finding a negotiated solution with the rebels in the Sudanese People's Liberation Army [SPLA] and is only willing to resume negotiations with its leader Colonel John Garang from a position of strength in the field.

In this context, the recent initiative by the prime minister, who offered the rebels "an immediate cease-fire" on 6 April, was wasted effort. According to the SUDAN TIMES, it merely widened the gulf between the two sides. Indeed, according to the independent Khartoum English-language daily, which is usually well informed, the "peace proposal" was communicated to Col Garang in a casual and even insulting way: In other words, a piece of unheaded notepaper was simply sent to the SPLA office in Addis Ababa by a Sudanese employee of the OAU, addressed "To those who have taken up arms."

Indeed, this episode is part of the psychological warfare which has developed in relations between Khartoum and the rebels since the failure of the Addis Ababa meeting on 1 August between the Sudanese prime minister and the SPLA leader. Since then, Mr al-Sadiq al-Mahdi and the Khartoum leadership have made numerous reassuring statements, stating that the war has virtually been won, that Col Garang's movement is disintegrating, and that the SPLA leader has been "liquidated" by his own supporters. The latest instruction is to say that Col Garang is "the prisoner of the Ethiopian Government which wants to establish a Marxist-Leninist republic in southern Sudan."

Mr 'Ali Hasan Taj al-Din, one of the five members of the Sovereignty Council which is running the state, summed up the official stance as follows: "John Garang no longer has any say. He is bound hand and foot by the Ethiopians."

Consequently, dialogue has now been established with the Addis Ababa government, and Mr al-Sadiq al-Mahdi is due to go there in September. The door to negotiations has therefore not been closed, but negotiations will only be resumed if and when we find an area of agreement with Ethiopia."

There is no longer any talk of the famous Koka-dam statement of March 1986, although the Ummah Party helped to draft it and although Col John Garang regards it as the only possible framework for negotiations with the north. It has apparently virtually been shelved at the request of the Islamic National Front, which regards it as unacceptable because of the fact that it requires the unconditional abolition of the Shari'ah (Islamic law) and amounts to "legitimizing Col Garang's movement."

The Skepticism of the Military

The lack of any prospects for negotiations in the short term is bound to encourage those on both sides who are advocating a military solution. Meanwhile the population is growing increasingly weary and people are growing tired of a war which seems to be going on forever. Voices--sometimes official voices--are being heard quietly calling for the secession of the south "which is only causing trouble for Sudan."

Paradoxically, it is the military who are least enthusiastic about continuing a war which, according to them, cannot be won in the field. They know that they cannot put down a rebellion for which there is strong support in a territory of almost 600,000 square km, which has virtually no means of communication worthy of the name and which lends itself wonderfully to guerrilla warfare. In the rainy season--from May to October--the military confine themselves to garrison cities which are almost or completely besieged and the rest of the year they limit their activities to ensuring security on some roads, with varying degrees of success.

The soldiers, who have old-fashioned equipment--the army is frequently forced to hire trucks to transport troops and equipment--do not have political ambitions. All they want from the government "is more arms and munitions to defend themselves, not to win the war," we were told by a recently demobilized officer who deplored the fact that the "strange war" in the south is "undermining the troops' morale."

Moreover, the Khartoum leaders have no illusion about the regular army's combative zeal and seem to be counting increasingly on the tribal militia to wage the battle which the regular army, for lack of resources and motivation, is no longer capable of waging. For instance, the government supports and encourages the Anya Nyta II back-up troops recruited from the Nuers in the Upper Nile, the (Fertits) from Bahr al-Gazal, some of whom have been converted to Islam, the (Mundaris) from Equatoria, the Arab (Murahilines)--the (Rezeigat) from southern Darfur and the (Missirieh) from southern Kurdufan--to attack the Dinkas, Shilluks, and other Nilotic tribes which provide most of the SPLA fighters. The authorities strongly deny being behind these militia, but Agriculture Minister 'Umar Nur al-Dayim, who is an influential member of

the Ummah Party, recently admitted that the government "is arming and will continue to arm all those prepared to fight the rebels" "On the pretext of fighting Carang," Mr 'Ali al-Hajj, who ranks number three in the Muslim Brotherhood, said, "the government is forming its own militia to be used if the army proves unreliable. We are busy moving toward a state based on militia."

The systematic formation of militia is breaking up a whole tribal world which had previously lived with a degree of equilibrium and which is now transforming huge sections of the south into scorched earth areas, thus threatening the ecological future of this territory and the very survival of the populations who are threatened with malnutrition--the main consequence of the "militia war." In the Upper Nile region, whole villages inhabited by Shilluks have been razed to the ground by the Anya Nya II militia and their inhabitants have forced to take refuge in Malakal, where the food situation is extremely worrying.

Setting Up the Southern Council

The situation is even more serious north of Bahr al-Ghazal, where Dinka stock-raisers and farmers have seen most of their cattle destroyed and their crops burned during numerous raids by the (Rezeigat) and (Messiriye) from Darfur and Kordofan, and have fled to Umayl, where they are living in abject poverty. the government's policy in this sphere is clearly to try to starve the Dinkas to force them into submission, thus depriving the SPIA of the local tribes' support without which it could not be "at home" in the south.

This policy has been successful and the rebels in the Bar al-Gazhal region seem to have toned down their attacks on the Khartoum military in order to deal with more urgent matters, namely the struggle against the (Rezeigat) and (Missiriye) militia, armed by the Libyans and staffed by Khartoum army officers seconded to them.

At the same time as extending the tribal militia, Mr al-Sadiq al-Mahdi is working to set up a political authority in the south aimed at counterbalancing the rebel movement's influence. to replace the Higher Executive Council which, under the terms of the Addis Ababa agreement which ended 17 years of civil war between the north and the south in 1972, has the task of governing the autonomous region of the south, the government chief established a 9-man Southern Council in early February and appointed three governors with the job of administering the three southern regions.

Coming after several months of tough negotiations with the southern parties, which wanted to replace the Higher Executive Council with a transitional body in which they would have their say, the formation of the Souther Council was seen by the southerners as real interference by Mr al-Sadiq al-Mahdi, showing them that he intended to have control over their regions.

Mr Pacifico Lado Iolik, the only southern member of the Sovereignty Council, deplores this state of affairs. "The southern parties," he told us, "had made several proposals concerning the administration of their regions. All these

suggestions have been ignored and the government has imposed a solution which does not take account of their recommendations." In Mr Lolik's view, "the Southern Council's legal status has not been defined, nor has the nature of its relations with the regions." This means that Mathew Ubur, who has been appointed by Mr al-Sadiq al-mahdi as head of this council, has no legal power over the three southern regions and that they are free to choose whether or not to cooperate with him.

In these circumstances, will Mathew Ubur, who joined the SPLA in 1983 before quarreling with Col Garang and who is said to support southern unity, be able to make the Southern Council into an institution which is independent of central government? Many people doubt this and think that this whole operation is just a farce intended to make the world believe that Khartoum is granting autonomy to the south, whereas in fact it is trying to divide the southern politicians and guarantee the allegiance of some of them by granting them honorary positions and financial advantages. As under Numayri's rule, the south is, therefore, still divided into three regions headed by a council which is merely an appendage of the central government.

In these circumstances, it is likely that Mr al-Sadiq al-Mahdi's efforts to build a credible political force in the southern regions capable of opposing Col Garang's movement, is doomed to failure.

/12232

CSO: 4500/119

SPLA OFFICIAL URGES FORCES TO CAPTURE SOUTHERN TOWNS

EA271715 (Clandestine) Radio of the Sudanese People's Liberation Army in
Latuka 1120 GMT 24 Jun 87

[Radio address by Joseph Oduho, chairman of the Committee for Political and
Foreign Affairs of the SPLA-SPIM--recorded]

[Text] Hello comrades in arms, I'm Joseph Oduho. I'm greeting you all,
especially those in Tingil Makusha and Tafung battalions. Comrades, there is
nothing much that I want to tell you, just that I missed you and my homeland.

What I want to say today is actually about the war which we are waging now. I
tell you to handle this war properly, and not to think that the enemies are
slipping. I think you must have heard about the dry season offensive which
the Sudanese prime minister was calling for. Sadiq said that in the past dry
season he wanted to recapture all the areas which were captured by the SPLA
forces. He said he wanted to recapture Yirol, Ler, Adok, Bumma, Paryang,
Pibor, and Tonga in the Shilluk area, which we captured recently.

Don't be misled into thinking that because it is the rainy season Sadiq might
have forgotten about it. No, you should be on maximum alert, especially those
of you in Torit and Kapoeta. You should bear in mind that the government
wants to rescue its forces in Kapoeta. And I'm telling you not to give them
any chance to bring food and reinforcements to their besieged soldiers in
Kapoeta or Torit, Nimule, etc. We must not give the enemy any chance to
relieve the besieged garrisons. Occupy the roads and don't allow any of the
enemy trucks to pass through. Start sealing off these areas, such as Torit,
Kapoeta and Nimula.

I say that none of you should simplify this war and think that it is a war in
which other groups will help you to capture Torit, Kapoeta, and Nimule. No.
You are requested to capture your own places, because nobody will come to help
you capture them. The Murle people have just captured their own town, Pibor.
The Dinka and the Anyuak people have captured their own places, such as
Pochala and Yirol. The Nuer and the Shilluk also captured their places, such
as Ler and Adok. Why should it be only you who have not captured any of your
own towns?

What do you say about this comrades? You should think about this
individually. What about our reputation of being the best southern Sudanese

fighters? No, don't make other people laugh at us. Whoever among you thinks that this is not a war in which people are expected to capture their own area is making a mistake. Today's war is a war in which each group fights to capture its own place or area. I therefore kindly ask you to unite and come as one. Unity is strength. Without it we can never succeed in our struggle.

And you, the private soldiers, you should respect your seniors, obey your senior officers. The officers also should obey their battalion commanders. That is what is done in any army. If you obey the orders of your seniors, that is when we can regard you as proper soldiers, and no one will ever defeat you. We all know that you are good fighters. Why is it then that you people couldn't even capture any of these big towns of yours? I say we are men and we must therefore show our manhood. But how? We must do so by fighting and capturing our own places.

We should not fight aimlessly, thinking that there will be an agreement. There is nothing called an agreement in this war. The agreement we signed in 1972 was made because we had no proper arms at that time. Many things needed by the rebels were not available. Now some of you came to our training center and became professionals. After your training period you were given guns. You have seen for yourselves the types of arms we have. Do you still call us weak as we were in the Anayanya movement? No, we are now very much stronger than before and we are already a government.

I say to those of you who worry that you might die and somebody else then enjoy the fruits after the country is liberated, should forget the idea completely. I recall that during the first movement some people said the same thing. I really hate this and I don't want it repeated. If the enemy attacks your village, will you run away and say: If I die, somebody, somewhere will enjoy the country later? No, die for your own rights and you will be honored. However, thinks that hiding is a good idea was not born to be a man.

I think this war is almost over. You have almost reached the red soil. For the past 2 years you have been digging the black soil. But this year you will reach the red soil. What is the red soil like when you touch it? Is it soft? It is soft.

Comrades in arms, I told you earlier that I was not going to say much. I have said these things to you because I have suffered living in foreign lands. I want to go home. But how can I go home if you people do not capture any place where I can go and live. Last time, I told Murrur Battalion to capture Bumma for me. Did they capture it? They did. And when you arrived there, did you find the house which I built there? Of course you did.

I say capture Torit and Kapoeta and see whether Juba can stand on its own without these towns. And you, the son of Modi--Gelerio--we are all happy with what you and your officers are going back there. And I'm also happy that you managed to reconcile the Lokoro and Lopit people. Well done. Take care of your people and don't allow them to discriminate against others. If this country of ours was full only of trees, I think none of us would be interested in fighting. But we have decided to take up arms in order to liberate the people from the oppressive minority cliques in Khartoum.

EFFORTS TO IMPROVE GRAIN MARKETING DISCUSSED

Damascus AL-THAWRAH in Arabic 26 May 87 p 4

[Text] The responsible parties have continued to take steps to ensure the success of grain-marketing operations, and to use human and mechanical resources in order to achieve the goals of the plan for marketing grain crops in the various provinces of the country.

In Aleppo, the governor of the Province of Aleppo, Mr Muhammad Muwalidi, discussed the subject of marketing the current season's grain crop with comrades Mustafa Qaddur, head of the farmers' branch office; the major general, chief of the provincial police; the head of the provincial farmers' union; the director of agriculture and member of the appropriate executive office; and district directors and heads of the agricultural offices.

The governor said that it was important for all parties involved in agriculture to participate in the work of transporting and marketing the grain crop and delivering it to the nearest purchasing center among those distributed throughout various districts of the province, or to the temporary center or the silos.

The governor affirmed that the machinery and sacks needed for transporting this crop had been provided.

The governor stressed to the heads of the agricultural offices the need to pay their brothers the farmers for their crops as soon as possible after the extent to which they have conformed to required specifications is known.

At the end of the meeting, branch committees were formed, headed by the district directors, to supervise field operations and see that they were being properly implemented and to work on transporting the crop to the centers in the easiest way possible.

On the same subject, Brother Muhammad al-Husayn al-Ibrahim, head of the Aleppo farmers' union, announced that the union was carrying out the production and development plan for the 1986-87 growing season. The acreage planted to high-yield wheat had reached 94,930 irrigated dunums and 238,750 rain-fed dunums.

He added that the union was planting ordinary wheat on 250 irrigated dunums and 178,130 rain-fed dunums. It was planted barley on 1,040 irrigated dunums

and 1.3 million rain-fed dunums; lentils on 540 irrigated dunums and 100,000 rain-fed dunums; lathyrus on 14,550 rain-fed dunums; and 7,320 rain-fed dunums [as published]. That is in addition to the plan for winter crops, which include broad bean seeds, spring potatoes, and other irrigated winter vegetables.

The union head affirmed that the total amount of the loan obtained from the Agricultural Bank by the farmers' associations for their members during the same period was about 49 million Syrian pounds. That was for seasonal loans, including the purchase of motors and spraying equipment and for long-term loans for expanding fruit tree planting projects.

In addition, the support payments set for tree-planting projects were turned over to the associations of Jandris and al-Wudayhi.

In al-Raqqah, Mr Muhammad Salman, governor of al-Raqqah Province, met with the comrade heads of the production cooperative associations and of the farming associations operating in the province. He was accompanied by the brigadier general, chief of the provincial police; by the head of the farmers' branch office; and by those having an interest in the agricultural sector in the province.

During the meeting the acreage planted to irrigated wheat at the level of each association as discussed, as were yield averages and the possibility of marketing the entire crop.

It was also stressed that it would be necessary for each association to deliver around 70 percent of its yield to the Public Establishment for Grain Processing and Trade in the province.

Those present reviewed the steps taken in the province to market the winter crop, and the Public Establishment for Grain Processing and Trade was asked to be as easy as possible on the farmers during purchasing and delivery operations.

In addition, the association heads were told of the need to urge farmers to gather up the straw to provide their livestock with needed fodder and to sell the surplus to the branch fodder establishment in al-Raqqah.

The farmers' union was assigned the task of constant oversight of the grain-purchasing centers and of dealing with any complaint by any farmer relating to marketing or to crop prices.

It should be mentioned that the purchasing plan of the Grain Processing Establishment in the province calls for the purchase of 75,000 tons of irrigated wheat. Likewise, the plan of the Seed Increase Establishment calls for the purchase of 22,000 tons of wheat.

The first 10 farmers in the province, those who excel in the production of high-yield irrigated wheat will be rewarded.

In Hims, the executive office of the farmers' union held a joint working meeting yesterday with the establishments having an interest in the marketing of grain and the manufacture of feed and farm machinery. It was attended by the heads of the farming and cooperative associations in the province.

The situation pertaining to this season's grain production was reviewed, as was the plan to buy and process feed and supply it to livestock resources.

The preliminary steps set up to market the grain surplus of the farmers in the province were also discussed.

It was decided to use human and mechanical resources to achieve the goals of the grain-marketing plan and to eliminate the role of the middlemen and private-sector merchants, who tamper with the farmers' production estimates.

During this meeting, a field plan was set up, in cooperation with all concerned parties, to facilitate marketing and transport operations for the producers in the fields of farming.

In rural Damascus the degree to which the crop production plan for winter crops in the Province of Rural Damascus for the 1986-87 growing season was finally implemented reached its ultimate limit. The rate for winter crops and vegetables in irrigated areas was 101.5 percent. The total irrigated acreage planned was 29,295.5 hectares, whereas in the plan it had been set at 28,853 hectares. It included high-yield wheat, barley, broad beans, vetch, clover, garlic, anise, and winter vegetables.

Among the winter crops, the rate of implementation varied from 84 percent to 177 percent. The rate for wheat was 100 percent.

On the other hand, the rate of implementation of the crop plan in rain-fed areas was 81 percent, since the cultivated areas was 18,081 hectares out of the original called for in the plan, which was 22,292 hectares; however, the rate for wheat was 113 percent. The rain-fed crops include: ordinary wheat, barley, lentils, chickpeas, and vetch.

It should be mentioned that the farmers have begun to harvest some of their crops and to plant their summer crops.

12547/6662

CSO: 4404/403

DEVELOPMENT OF RAILWAY SYSTEM TRACED

Damascus AL-THAWRAH in Arabic 24 May 87 p 6

[Text] The Syrian railway system has been marked by rapid development in all areas with respect to length, installations, technical expertise, maintenance, and volume transported.

The Syrian railway began to be utilized at the beginning of this century, and it was made up of the following lines:

- The Aleppo-al-Maslamiyah-Maydan railway line, with a length of 118 km.
- Al-Maslamiyah-al-Ra'i railway line, with a length of 81 km.
- The Aleppo-Hamah-Hims railway line, with a length of 201 km.
- The Hims-Qatinah-al-Qusayr railway line, with a length of 36 km.
- The Hims-al-'Akari railway line, with a length of 67 km.

Thus at the beginning of the sixties the length of the system was 551 km.

Because of the humble nature of this railway system, the following lines were modernized or laid, using ordinary tracks with a width of 1.435 meters:

- Al-Ladhiqiyah-Aleppo-al-Qamishli line was laid, with length of 743 km.
- The Hamah-Muharradah railway line was laid, with a length of 19 km.
- The Hims-al-'Akari railway line was modernized, with a length of 67 km.
- The Aleppo-Hamah-Hims line was modernize, with a length of 201 km.

Thus, the length of the system that was modernized or laid down between 1963 and the end of 1985 is 1,393 km, bearing in mind that the axle weight of these tracks is 30 tons and the maximum speed is more than 100 km per hour. They are served by diesel electric engines, one of which has a capacity of 2,800 horsepower. In contrast, the axle weight of the old tracks did not exceed 17 tons, and the maximum speed was no more than 60 km per hour. They were served by steam engines, many of which were more than 50 years old.

As for locomotives and cars, the number of locomotives, freight cars, and carriages placed in service along the length of the system was as follows:

- Fifty-seven steam locomotives, many of which were more than 50 years old.
- Six hundred freight cars of various types.
- Twenty passenger cars, most of which were primitive.
- Four automatically operated carriages.

By the end of 1985 the number of cars and locomotives working on the system was distributed in the following manner:

- One hundred and seventy-eight diesel electric engines with varying capacities, including 110 each with a capacity of 2,800 horsepower.
- Three hundred and thirty-nine first- and second-class passenger cars, including 280 modern ones.
- Forty-five sleeping cars, all modern and of good quality.
- Four automatically operated carriages.
- Thirty-eight diners and service cars--baggage cars--all modern and of good quality.
- 4,148 freight cars of various types, which meet current transport needs. There are plans to provide additional freight cars to meet future transport needs and keep pace with the rapid development that the country is experiencing.

Moreover, the number of workers working on all sections of the system in the various areas of specialization rose from 1,300 to 9,203 by the end of 1985.

As for technical expertise throughout the system, it was rare. What existed had been gained through practical experience. But now there is plenty of technical expertise in all specialties, since the number of engineers working in the Public Establishment for Syrian Railways is 220 in all areas of specialization. In addition to that, there is practical technical expertise from various levels (middle-level engineering institutes, industrial secondary schools, vocational training centers, etc.) in addition to the expertise gained through practical experience in the establishment.

In view of the extensive development experienced by the Syrian railway system, and the need to increase the number of technicians and expand the technical expertise currently existing in order to make maximum use of it, the Middle-level Engineering Institute for the Syrian railway was founded in 1974. The course of study in this institute is 2 years for those who hold a high school diploma (science) or an industrial secondary diploma.

It should be mentioned here that maintenance operations once depended on the human element and primitive methods. However, machinery has introduce mechanized maintenance. A number of modern machines and equipment have been imported, and technical cadres have been and are being provided to operate them.

12547/6662

CSO: 4404/403

MUSLIM COMMENTARY ON NEW 'FLEXIBILITY, CREATIVITY' IN MOSCOW

Islamabad THE MUSLIM in English 25 Jun 87 pp 1, 6

[Article by Maleeha Lodhi]

[Text]

ISLAMABAD, June 24:

— General Ziaul Haq strikes a sceptical note by saying that a Soviet withdrawal from Afghanistan would be the miracle of the 20th century.

— No early resumption of the "proximity" talks at Geneva appear in sight.

— News reports suggest that Washington has begun a vastly increased covert programme of cash, arms and 'civic action schemes' aimed at building the Afghan resistance as an alternative government to unseat the Najib regime at the UN.

— A British newspaper reveals that the CIA and Britain's MI6 have collaborated in supplying the Afghan resistance hundreds of sophisticated surface-to-air missiles, making it the biggest covert programme in recent decades.

On the face of it, these are hardly signs to encourage hopes of an early negotiated settlement of the seven year old Afghan war. But certain other developments have opened up fresh possibilities for an Afghan peace. These could bring an Afghan settlement within reach provided such opportunities are carefully evaluated and probed in a spirit of mutual accommodation.

Even General Zia, notwithstanding his earlier cynicism, told the visiting Chinese Premier, that Pakistan had recently perceived "a small ray of hope" in its search for a negotiated Afghan settlement.

These possibilities have tended to become overshadowed by the whole AWACS debate in the country, which has also enabled officialdom to sidestep having to

come up with imaginative responses to new possibilities. Moreover, Islamabad's relentless quest for AWACS signifies an approach that deals with the symptom of the problem instead of concentrating on the problem itself. And it is fraught with the danger of a deeper involvement in the Afghan war, quite apart from its other implications in terms of a tighter embrace of Washington.

The focus of peace efforts on Afghanistan has now widened from the question of a timeframe for the withdrawal of Soviet troops to the composition of an interim Government that the Soviets will leave behind in Kabul. As a result the search for peace has proceeded along two parallel but complementary tracks. The first track being the UN-sponsored talks at Geneva, while the second is the bilateral exchange between Pakistan and the Soviet Union which got underway during Foreign Minister Sahabzada Yaqub Khan's two visits to Moscow in the earlier part of this year. The bilateral forum is a necessary corollary of the fact that the Geneva process cannot by its nature address the key issue that now underpins the whole search for peace—how to fashion an acceptable and viable interim Government.

With diplomatic activity having slowed down on both these tracks, the Soviets could be trying a third track to keep the diplomatic momentum from grinding to a halt and breathe fresh vigour into the peace process. In the last couple of months Moscow has dropped a number of hints including the idea of a Round Table Conference, a shortened time frame and a possible

role for ex-King Zahir Shah in an interim Government, to signal its mood for accommodation and its readiness to explore new possibilities.

A third track would seem designed to complement, not substitute the first two tracks, and aim at overcoming some of the rigidities and built in limitations of the other two. Signalling flexibility on the question of an interim Government by gesturing readiness for the first time to talk to the Mujahideen, Moscow perhaps hopes to produce movement on all the tracks, which could ultimately converge towards a political solution.

The RTC idea which suggests bringing together representatives of the Mujahideen, the US, Pakistan, Moscow and the Kabul regime, has yet to be offered as a formal proposal. By first mooted the idea through non-official channels, Moscow could be feeling its way towards undertaking a new diplomatic initiative. It is possible that the idea does not materialise for lack of a response from Islamabad, Washington and the Mujahideen; positive sounds therefore could encourage Moscow to translate an informally floated idea into a formal proposal. Of course there is nothing to prevent other parties from proposing the idea if they think it is a useful one, instead of waiting for the Soviets to take the initiative.

The idea seems worthwhile to pursue because it could provide one way out of the impasse and also bring the Mujahideen into the peace process. So far the Mujahideen have rejected Kabul's peace overtures under its 'national reconciliation' programme because the Resistance refuses to sit at Najib's table, regarding this as cooption or surrender. The RTC provides a way around this, with the Mujahideen sitting at a neutral negotiating table (perhaps under UN auspices or styled on the Paris peace negotiations, that involved the four participants of the Vietnam war and brought about the withdrawal of U.S. forces).

It is now widely recognised that another Geneva round would only be meaningful once broad agreement is reached on the form of an interim Government. There is much substance in the view that the next round ought to be the final one, which fills what UN mediator Diego Cordovez calls the 'blank' for the timeframe and involves the formal signing of the agreement.

A senior foreign office source used the simple but effective metaphor of a vehicle to describe the

current state of the Geneva negotiations. The suggestion being that the engine, and all the delicate machinery are in place as indeed is the chassis. But what is needed is the fuel to make it run. The fuel of course is not built into the vehicle and has to be found outside Geneva. In other words the fuel to make the machinery of the agreement operate is finding an acceptable formula for an interim administration. Once this is found, the fuel is there for the vehicle, which is the agreement, to move.

This is not to minimise the difficulties that remain between the two sides at Geneva in narrowing the gap on the timeframe issue. But agreement on an interim administration can fundamentally affect the closing of the gap by enabling the two sides to show flexibility on the time table. There are two frameworks within which - to continue the metaphor the fuel can be refined - the existing bilateral forum and (a future) RTC. The bilateral framework has certain obvious limitations. If the Mujahideen are to be involved in hammering out a workable compromise then the RTC becomes the more appropriate forum.

Last month, the Soviet Ambassador to Belgium hinted that Moscow would accept an 11 month deadline for a troop pull-out (instead of the 18 months tabled in the last Geneva round), but provided an acceptable regime was in place in Kabul before the withdrawal. Soviet diplomats in certain Western capitals have also been hinting at nine months. If these suggestions concretise into a formal proposal that meets Pakistan's insistence on a troop pullout in months rather than years, it will obviously make the search for an acceptable interim administration more urgent. Here again, the recent ideas emanating from Moscow merit closer scrutiny as instructive clues to a future compromise.

Suggestions from certain resistance leaders could also yield ideas for a workable compromise. Professor Burhanuddin Rabbani for example has outlined one possible way to peace by the idea of an interim administration (rather than Government), in which a mixed coalition would be charged with two specific functions: provide security to Russian troops during their withdrawal and prepare for elections.

In a recent interview with American journalist Lawrence Lifschultz, a well placed Moscow source said "We are prepared for a compromise... but the cornerstone of a compromise must be based

on a 'gentleman's agreement' between the US and the USSR which could guarantee the neutral and non-aligned status of Afghanistan. We believe a "round table conference could be one possible means to secure such an agreement by all parties".

Also significant were the remarks made last month by the Soviet leader Mikhail Gorbachev in an interview with Unita, the Italian Communist Party Organ. These were subsequently expanded by Dr. Najibullah in an important speech he made to the PDPA Central Committee plenum on June 10. Mr. Gorbachev indicated that the Kremlin might accede to a role for the former Afghan King, Zahir Shah, in an interim reconciliation coalition. This was echoed by Yuli Vorontsov, Soviet Deputy Foreign Minister who said that ex-King Zahir Shah could return to Afghanistan as a leader bringing peace. Subsequently, Dr. Najib declared that the Communist authorities were ready for contacts with supporters of the former monarch to promote a settlement in the country. "Time is passing and we cannot stay in temporising positions", Najib said, "it is necessary to use the possibilities for entering into contact with monarchist forces, political activists, and well-known and authoritative clergymen".

Najib's wide ranging address is noteworthy for a number of conciliatory formulations. These include the readiness to accept a multi-party system, the offer to create a powerful presidency, (with the hint that Zahir Shah would occupy this) and the willingness to change the country's name.

More importantly on power-sharing, Najib declared: "The coalition will not be a propagandist symbol. We will not give representatives of the other side just two or three armchairs. We will have to share power".

The Kremlin's message behind all this, is unmistakable and so is its admission. The message is we are ready to explore new ways to disentangle the Afghan knot. And the admission is that a communist dominated government in Afghanistan can no longer be insisted on. Indeed the most significant aspect of Najib's speech lies in throwing open to compromise what was previously thought to be non-negotiable - the PDPA's dominant role in a future coalition.

This apparently significant concession can be explored and Moscow tested in how far it is prepared to go, when Yuli Vorontsov undertakes his scheduled visit to Islamabad. It seems from recent

Soviet signals that a compromise can be negotiated somewhere between the position that argues that the future Interim administration should be 'built around' the Peshawar based, seven party alliance of the Mujahideen and the position which says the PDPA should have an influential role. The task of negotiators is now to find that acceptable intermediate position which now seems within grasp.

That both sides recognise ex-King Zahir Shah can play an important future role is reflected in the fact that this matter was formally discussed during Yaqub Khan's February visit to Moscow, according to official Pakistani sources. Zahir Shah who has lived in exile in Rome since he was deposed in 1973, remains the most widely acceptable figure among Afghans, both inside Afghanistan and in the refugee camps. Many observers say that if a Loy Jirga was allowed to be held by the Pakistan authorities, a clear consensus would emerge in Zahir Shah's support. The time may be approaching to test this assertion. Except for three parties in the seven party alliance of the Afghan Mujahideen, the others are either bitterly opposed to the King's return or do not support it. But it is obvious that no solution can be acceptable to all, and efforts to hold together an alliance of fundamentally conflicting elements may be an exercise in futility and meaningless if it is at the cost of a settlement broadly acceptable to the Afghan people. Nonetheless, it would be naive to assume that negotiations on the precise role that Zahir Shah should play can be easy.

The greatest doubts however, that persist in Pakistan are over America's interest in a peace settlement. There are voices in Washington that argue that the Soviets should not be left off their Afghan hook and should continue to 'bleed' in Afghanistan. There are also elements that want to fuel the war to provide the rationale for swelling the US presence in the region and justify a higher American profile in Pakistan to serve Washington's strategic interests especially vis-a-vis the Persian Gulf.

Recently there have also been reports about a greatly increased US covert aid programme to build the Afghan resistance as an alternative government. This is said to involve civic action schemes in 'liberated zones' inside Afghanistan (echoes of Vietnam?) Charles Dunbar, the State Department's special assistant on Afghanistan (who visited Pakistan last October) told Congress last month that civic action schemes were being encouraged, so that the

various committees inside Afghanistan "take on the attributes not just of people with guns but people able to show themselves as the government in those areas". He also hoped that "the Resistance leadership will work better at the top, and as that develops, the question of a credentials change in the UN can be addressed seriously. "Nobody, he added, "would like it to be sooner than I".

The delivery to the Resistance last year of Stinger missiles and their dramatic increase this year raises afresh the question whether Washington is seeking an escalation of the conflict. Doubts about how genuine the American Administration is in its protestations for peace are also raised by the timing of the introduction of sophisticated arms. The delivery of anti-aircraft missiles is often cited as an example of inducting sophisticated weapons at a sensitive point in the peace process. The argument frequently advanced by American diplomats is that raising the costs of the Soviet occupation pressures Moscow into making concessions, so it is conducive ultimately to a settlement. While plausible, this argument would be convincing if such efforts are accompanied or complemented by moves on the diplomatic front. But the American approach to the Afghan problem is conspicuous for the lack of any diplomatic initiative. This strengthens the view that the US seeks to prevent a compromise solution.

In this context the speech by Michael Armacost, the American Under Secretary of State for Political Affairs, in Washington at the

Asian Centre on April 29 is a welcome departure. It is the most positive statement so far in terms of clearly indicating support for a compromise solution. Mr. Armacost talked of developments in recent months which enhanced the possibilities for a political settlement". He said that Moscow still had to take some tough decisions, and added "we will certainly be ready to respond positively if they do". He also went to great length to explain that the US was not looking for any strategic advantages in Afghanistan. How far such views are shared by others within the Reagan administration the Defence Department or other influential circles remains an open question.

Seizing new opportunities to advance toward peace is a challenging test of statesmanship for all the parties to the Afghan conflict. This is especially so for Pakistan who has much to gain from an Afghan settlement and a great deal to lose in the absence of one - of which the daily bomb blasts and the burden of 3 million refugees are grim reminders.

To find a way out of its Afghan quagmire Moscow may need to apply the same kind of bold creativity and flexibility that it has done with its arms control proposals (to remove nuclear missiles) in Europe. But Islamabad also has to formulate imaginative responses to fresh opportunities without always looking over its shoulder toward a distant 'benefactor'. Pakistan can still exercise its independent option on Afghanistan.

/13046

CSO: 4600/253

PAPERS REPORT ON VISIT OF SOVIET DEPUTY FOREIGN MINISTER

Report on Dhaka Dinner

Dhaka THE BANGLADESH OBSERVER in English 23 May 87 pp 1, 8

[Text]

Deputy Foreign Minister Wajed Ali Khan Panni on Friday night said the people of Bangladesh cherished the existing close links with friendly people of the Soviet Union, reports BSS.

Recalling the political and moral support lent by the Soviet Union during the Liberation War of Bangladesh and the material assistance provided thereafter he said the relation between the two countries were marked by growing cooperation in political, economic, trade, educational and cultural areas.

The Bangladesh Deputy Foreign Minister was speaking at a dinner hosted by him in honour of the visiting Soviet Deputy Foreign Minister, Mr. I.A. Rogachev, at Hotel Sonargaon.

The Deputy Foreign Minister further said the Soviet Deputy Foreign Minister's visit "is a reflection of the desire of both our countries to renew our faith in international cooperation between countries having different socio-political system".

In today's interdependent world, Mr. Panni said, countries could, and indeed must, coexist and cooperate with each other for the mutual benefit of their peoples.

The Bangladesh Deputy Foreign Minister expressed delight saying that the Soviet Deputy Foreign Minister's current visit had provided the opportunity "to strengthen our understanding".

Replying, the visiting Soviet Deputy Foreign Minister, Mr. Rogachev, recalled his country's peace initiatives taken over the last

two years for achieving a nonviolent world where the future children would be free from nuclear threat. Expressing his satisfaction with the Bangladesh role in different world planks in respect of disarmament and said "We must strive for that".

Mr. Rogachev expressed his gratitude saying that Bangladesh appreciated the Soviet help and assistance during and after her Liberation War.

The Soviet Deputy Foreign Minister said that at present the relations between the two countries had received "a new boost after a lull period" and that "a fresh start in our relations has got off recently".

Soviet Deputy FM in city

Soviet Deputy Foreign Minister, Mr. I. A. Rogachev, arrived in Dhaka on Friday on a four-day visit and expressed the hope that his talks with Bangladesh leaders would help further strengthen the bilateral ties, reports BSS.

"We have friendly ties with Bangladesh and I hope that my visit will be fruitful" he told newsmen at the airport.

The Soviet Foreign Minister, who understands and speaks English quite well chose to answer the questions of newsmen in Russian.

It is the first high-level visit from the Soviet Union to Bangladesh in the last couple of years.

Mr. Rogachev was met at the

airport by Deputy Minister for Foreign Affairs Wajed Ali Khan Panni.

Mr. Rogachev paid tributes to Bangladesh when he said that this country occupies an important position in Asia and has a voice of its own in international affairs. "We respect Bangladesh" he said adding that he looked forward to the talks with Bangladesh side which would cover both bilateral and other issues.

Asked about the main subjects that would come up for his talks with the Bangladesh side, the Soviet Minister said that primarily the bilateral matters would get precedence over other issues in the discussions. He listed Indian Ocean, Asian situation etc. as other subjects likely to be covered by the talks.

He told a questioner that the Soviet Union was committed to a "peaceful solution" of the Afghan tangle. However, he said that he would be able to tell whether Afghan tangle and Kampuchean situation would come up for talks with Bangladesh side only after the discussions were over.

Mr. Rogachev described the continuing Iran-Iraq war as "senseless" and called for immediate cessation of hostilities.

He said that the Soviet Union valued its ties with the countries of this region and drew a parallel with the current visit of a top Soviet Communist Party leader to India.

Asked about Pakistan's efforts to acquire AWACS aircraft from the US, the Soviet Minister observed that his country's position on the issue was already well-known.

Cooperation, Trade Discussed

Dhaka THE BANGLADESH OBSERVER in English 24 May 87 p 1

[Text]

Bangladesh Soviet Union on Saturday agreed to enhance cooperation at various fields as the two sides discussed the entire gamut of the bilateral ties, reports BSS.

Deputy Foreign Minister Wajed Ali Khan Panni led the Bangladesh delegation at the talks while visiting Soviet Deputy Minister for Foreign Affairs I.A. Rogachev headed his country's side. The talks lasted three hours at the Ministry of Foreign Affairs.

Official sources described the talks as "fruitful and constructive" and said the discussions provided a "good opportunity" to both sides to have exchange of views on wide ranging subjects of mutual interests.

While the bilateral matters were the main subjects of the talks, international issues including the Afghan tangle, Kampuchea, situation and the continuing war in the Gulf came up for discussions.

The discussions covered proposed formal signing of an air service agreement and a shipping agreement between the two countries. Both sides stressed the need for an

early conclusion of the two agreements and agreed to take steps towards that direction.

The issue of Soviet assistance for the construction of a bridge on the River Rupsa also came up for discussion and it was agreed that technical level meeting would be held at a nearby date to discuss the details of the project. Trade relations between the two countries were reviewed and both sides noted with satisfaction that trade was progressing satisfactorily, the 16th barter trade accord between the two sides provides a turn-over of 30 million dollars each way for the year 1987.

Bangladesh side pointed out that there was a need for inclusion of non-traditional items in the trade and Soviet side agreed to consider this.

On the international matter's two sides reiterated their known positions on different issues.

The Soviet Deputy Foreign Minister on Saturday morning visited the national monument for the martyrs at Savar and placed wreaths there.

Talks With Deputy Prime Minister

Dhaka THE BANGLADESH OBSERVER in English 25 May 87 p 8

[Text]

The visiting Soviet delegation led by the Deputy Minister for Foreign Affairs, Mr. I.A. Rogachev, called on the Deputy Prime Minister, Kazi Zafar Ahmed, at the latter's office in Dhaka on Sunday, an official Press release said, reports BSS.

During the meeting they discussed the different aspects of the shipping agreement to be signed between the two countries.

In order to facilitate trade activities, it was earlier decided to sign a shipping agreement which will strengthen relations between the shipping companies of the two countries.

The Soviet Minister invited a delegation from Bangladesh to visit Moscow to finalise and sign the agreement.

Another report adds: The visiting Soviet Deputy Minister for Foreign

Affairs, Mr. I.A. Rogachev, on Sunday called on the Education Minister, Mr. Mahbubur Rahman, at his Secretariat office.

During the meeting, the two Ministers agreed that despite differences in the socio-political and economic system of the two countries there were many areas where they can have greater cooperation according to official sources.

The Soviet Minister said that his country was taking increased interest in the matters of Asian and Pacific countries it is trying to improve relation with them and extend greater cooperation.

The two ministers emphasised the need for close cooperation and better understanding, which, they thought can be achieved not only through diplomatic activities but also through exchange of cultural troupes, scientists, teachers and students.

Importance of Visit

Dhaka THE BANGLADESH OBSERVER in English 26 May 87 p 8

[Text]

Soviet Deputy Minister for Foreign Affairs I.A. Rogachev has described his four-day visit to Bangladesh as "fruitful and satisfying" and said that his talks with Bangladesh leaders would help further deepen the bilateral ties.

"The visit has provided an excellent opportunity for exchange of views on many issues including the current world scenario besides useful discussions to enhance bilateral cooperation", he told BSS before departure.

Mr. Rogachev left Dhaka in the afternoon for Rangoon at the second leg of his three-nation tour in this region. The trip also takes him to Nepal.

The visit of the Soviet Deputy Foreign Minister to Bangladesh has been by an important person from Moscow to this country in last several years. The visit has come off evidently as a reflection of Moscow's greater priority to this part of the world in the thinking of the Kremlin leadership, sufficient attention has not been paid to South-East

Asia and the South Asia in the recent years and Mr. Rogachev's visit to three countries of this region is seen as a part of new Soviet policy to further develop ties with the countries of this part of the globe.

The Soviet Deputy Foreign Minister called his talks with Bangladesh leaders "important" to know each other's points of view. In the bilateral field, he observed two sides took a number of measures to expand the already existing Dhaka-Moscow cooperation.

Mr. Rogachev, during his stay in Dhaka, held detailed talks with his Bangladesh counterpart Wazed Ali Khan Panni covering the entire gamut of bilateral and international matters. He also met President H.M. Ershad.

Cultural programme

Meanwhile, Bangladesh and Soviet Union on Monday signed cultural programme for the three-year period under the existing cultural cooperation agreement between the two countries.

The programme envisaged manifold activities between the two countries in the broader cultural arena during the period 1986-89.

Mr. Nurul Momen Khan, Additional Secretary, in charge of Cultural Affairs Division of the Ministry of Education and Mr. V.G. Beliaev, Soviet Ambassador in Bangladesh, signed the programme on behalf of their respective governments.

Under the programme, two countries will exchange delegations of their scientists comprising three to four members. A Bangladesh delegation will visit Soviet Union for two weeks during the current year. Similarly, a delegation from the Soviet Science Academy will pay a visit to Bangladesh next year.

The programme provides that the Soviet Union will offer 30 scholarships to Bangladesh every year. Besides, Soviet Union will accept 16 graduates from this country for participation in the educational development course.

Two sides also agreed to exchange delegations in the cultural

fields and will organise holding of painting shows in each other's country. They will also exchange team of writers consisting of three members.

Two countries will also take steps for closer relations in the field of media and will exchange radio and television programmes. Delegations of journalists will visit each other's country and there will be greater cooperation among the news media of two countries.

In the field of sports, two countries will exchange teams on football and volleyball, and the Soviet Union will send coaches to Bangladesh for training in some areas of sports like the chess.

Bangladesh has cultural agreements with 36 countries of the world.

Mr. IA Rogachev has also assured all possible assistance of his government in the implementation of different projects in the power, oil and gas sectors in Bangladesh, says an official Press release.

/13046

CSO: 4600/1799

ERSHAD ORDERS MORE AUTONOMY FOR PUBLIC SECTOR BODIES

Dhaka THE NEW NATION in English 23 Jun 87 p 1

[Text]

President Hussain Muhammad Ershad yesterday directed the concerned authorities to give the public sector corporations more autonomy so that they can run on commercial consideration and improve their performance, reports BSS.

The President gave the directive during a meeting with the executive committee of the Consultative Committee of Public Enterprises (CONCOPE) held at the President's Secretariat here.

President Ershad directed the Council of Public Corporations to solve the problems of the public sector corporations in consultation with the CONCOPE. He also instructed the concerned authorities to prepare a separate service rule for the chairmen and directors of the corporations.

The President noted with

satisfaction the improvement in the performance of the public sector corporations and asked them to improve further their efficiency and performance.

The executive committee of the CONCOPE expressed their support to the government policy regarding holding companies and subsidiary organisations.

During the meeting the executive committee, led by its Chairman A. K. M. Musharraf Hossain discussed with the President various problems being faced by the sector corporations. It also discussed with the President various measures to run the corporations more effectively and efficiently.

Besides the members of the executive committee of the CONCOPE, concerned secretaries were present during the meeting.

/13046

CSO: 4600/1795

REPORTAGE ON ECONOMIC DEVELOPMENTS, PLANS

High Cost of Debt Service

Dhaka THE BANGLADESH OBSERVER in English 4 Jun 87 pp 1, 8

[Text]

External debt service payments will account for about 26 per cent of the country's total foreign exchange earnings including merchandise exports and remittances in 1986-87. The ratio has maintained a steady uptrend over the recent years when the economy's overall growth performance trailed behind the projected targets. It stood at 23.7 per cent in 1985-86, 20.7 per cent over the Second Five-Year Plan period (1980-85), 12.1 per cent during the two-year plan period (1978-80), and 11.5 per cent over the first Five-Year Plan period (1973-78).

The mounting debt service payments have reflected Bangladesh's growing indebtedness in absolute terms due to an increasing reliance on external assistance. However, the intended favourable impact of external aid on domestic growth potentials is yet to be felt in any visible manner since the economy has continued to face a rough terrain. The country's overall GDP (Gross Domestic Product) growth would be around 4.4 per cent in 1986-87 compared to 3.9 per cent in 1985-86. But, the growth performance in the first two years (1985-86 and 1986-87) of the current Third Five-Year Plan period (1985-86) would show a slight decline on the previous two years and also a marked decrease from 5.8 per cent growth achieved in the 1973-80 period.

The maximum temperature recorded in Dhaka on Wednesday was 32.8 degrees Celsius (91 degrees Fahrenheit) and the minimum was 25.6 degrees Celsius (78 degrees

Fahrenheit). The percentage of humidity was 68 in the morning and 76 in the evening.

The Sun sets today (Thursday) at 6.43 p.m. and rises on Friday at 5.11 a.m. Rain/thundershower accompanied with temporary gusty wind at place will be scattered over southern part and isolated over northern part of the country. Day temperature is likely to remain nearly unchanged over Bangladesh.

Total debt service payments in 1986-87 will involve 390 million US dollars, according to the recent estimates of the Planning Commission and the External Resources Division. In 1985-86, such payments stood at the level of 339 million US dollars. cumulative debt service payments over the last 14 years till 1986-87 have involved 2460.3 million US dollars.

\$7b total debt

Total outstanding debt of Bangladesh will be about seven billion US dollars at the close of fiscal 1986-87 on June 30, '87. The debt stood at 6.39 billion US dollars on June 30, '86.

Medium and Long Term (MLT) debt accounts for the lion's part of the country's debt liability. The MLT, in percentage terms, constitutes about 96.1 of total outstanding debt, carrying an average annual service charge or interest rate not exceeding 1.5 per cent and is repayable in 39 years with nine years grace period. Though mostly concessionary in nature, payment liabilities of such MLT loans have of late shown an uptrend following expiry of grace period of the same which were contracted up to mid-1970s.

Debt service payments on MLT account has thus increased from 17.7 million US dollars in 1973-74 to 217.6 million US dollars in 1986-87.

MLT debt service payments of 217.6 million US dollars in 1986-87 would include interest charges of 81.3 million dollars and debt amortization (repayment of the principal amount) of 136.3 million dollars. With gradual expiry of the grace period, payment liabilities under MLT loans have thus mounted, exerting pressures on the country's total foreign exchange earnings.

Share of grants declined

The share of grants under medium and long term aid has meanwhile declined over the recent years in terms of both commitment and disbursement. This is certain to aggravate the external debt management problem further in the coming years. Thus, while the share of grants in aid commitment declined from 66.9 per cent in 1971-73 to about 40 per cent now, the same in aid disbursement registered a decrease from 88.9 per cent to over 45 per cent during the period under report.

Besides the MLT loans, the payment liabilities for other borrowings have also gone high over the recent years as the short-term borrowings for food loan on deferred payments, crude oil, aircraft, ships etc have risen substantially. In 1986-87, food loan repayments would amount to 33 million US dollars while another 86 million dollar would be involved

for repayments on account of Bangladesh Petroleum Corporation (BPC), aircraft loans etc.

Furthermore, debt outstanding on account of borrowings from International Monetary Fund (IMF) have now recorded a rise. debt service obligation for IMF transactions during 1986-87 would be around 205.6 million US dollar including repurchase of 166 million US dollar.

One encouraging aspect of the country's external debt management has been that Bangladesh has not so far defaulted in making debt service payment to lenders in accordance with the schedule. There have been only some small technical delays in remitting funds through the banking system.

But, the question still remains how long the country would be able to service its external debt without the need for any rescheduling particularly in view of the mounting payments obligation in the coming years. On the foreign exchange earnings side, the situation is not promising. Remittances of expatriate workers are likely to decline from the estimated 620 million dollars in 1986-87 to 570 million dollars in 1987-88 in the face of financial constraints in the oil exporting countries, causing the slowing down of their pace of development activities. The scope for any marked improvement in the near future in the export sector is also limited because the country's exportables with larger share of primary commodities suffer from both supply and demand "inelasticities".

Report on 1987-88 Development Plan

Dhaka THE BANGLADESH OBSERVER in English 19 Jun 87 pp 1, 10

[Text]

Public sector investment outlay under the Annual Development Programme (ADP) for 1987-88 will be sized at Taka 5046 crore. The ADP will be funded by budgetary surpluses to the tune of Taka 665.51 crore and this amount includes the new fiscal measures for mobilising and additional amount of Taka 416.40 crore under the Budget 1987-88.

Foreign assistance in different forms including project, commodity and food aid will provide Taka 4629.60 crore for public sector investment programme.

Extra-budgetary resources like self-financing by autonomous bodies will generate Taka 175.49 crore for ADP.

The proportion of foreign aid in the financing of the ADP will be almost 85 per cent and overall domestic resources will contribute only 15 per cent.

Outside the ADP, a programme of Taka 240 crore will be taken up next year for implementation of development projects by Bangladesh Rural Development Board (BRDB), financial institutions and

other autonomous bodies. This amount includes a project aid component of Taka 128 crore.

Financial allocation for Food-for-Works Programme and the vulnerable group development programme will furthermore involve nearly Taka 492 crore and seven lakh tons of foodgrains under the food budget have been earmarked for the same.

Meanwhile, the ADP for 1987-88 includes 828 projects including 684 investment projects. 54 projects to be implemented with internal resources of some public sector organisations and autonomous bodies and 90 technical assistance projects.

The important components of the ADP for 1987-88 are: (a) allocation of Taka 170 crore for upazila infrastructure construction and Taka 200 crore as development assistance grant to the Upazila Parishads, (b) provision of Taka 883 crore for generation, transmission and distribution of power, (c) allocation of Taka 300 crore for the education sector and Taka 279 crore for the health and family planning sector, (d) Taka 357 crore allocated for completion of Chittagong Urea-Fertilizer Factory, (e) Taka 88 crore allocated for speedy implementation of the Teesta Barrage Project, (f) provision of Taka 50 crore for special development programme of the Chittagong Hill Tracts, (g) provision for Taka 45 crore for speedy implementation of Barindh integrated development project and (h) allocation of Taka 30 crore as development assistance to the pourashavas.

Jamuna Bridge

Under the ADP for 1987-88, necessary provision has also been made for the second phase of the study of the Jamuna Multipurpose Bridge Project covering detailed engineering design, preparation of bid documents, bid evaluation etc.

Finance Minister M. Syeduzzaman in his Budget speech noted that the priority under the ADP for 1987-88 was given to investments in the field of agriculture, rural development, water resources development, health, family planning and population control programme, expansion of power and gas through development of indigenous natural resources, expansion of education facilities and creation of employment opportunities in the industries sector.

The Finance Minister said that the GDP growth rate on the basis of investment through the Annual Development Programme, activities of the nationalised sector and expected investments in the private sector would be 5.1 per cent in 1987-88. The sectoral growth rates for agriculture, industries, energy and gas, transport and other sectors will be 3.7 per cent, 8.7 per cent, 13.5 per cent, 6.1 per cent and 4.6 per cent respectively.

Mr. Syeduzzaman stated that employment opportunities for nearly 9.5 lakh people would be created in 1987-88 compared to 7.9 lakh in 1986-87 on the basis of investments under the Annual Development Programme, productive activities of the public sector corporations and private sector investment activities in various sectors.

Rise in GDP

Dhaka THE BANGLADESH OBSERVER in English 19 Jun 87 p 1

[Text]

The Gross Domestic Product (GDP) registered at 4.41 per cent rise during the fiscal year 1986-1987 at the constant price of 1984-85 which has been taken as the base year. It was however targetted to grow by five per cent, according to Economic Survey of 1986-87 released by the Ministry of Finance on Thursday.

The growth rate in the agricultural sector was 3.60 per cent compared to 4.10 per cent attained in 1985-86. The production of all the agricultural production except jute was increased in 1986-87 compared to the last year. It is estimated that the production of jute will be 50 lakh bales against 86.58 lakh bales last year.

Of the estimated 165.50 lakh tons of foodgrains during 1986-87 154.50 lakh tons is rice and the rest 11 lakh tons is wheat. Last year the food-grain production was 160.80 lakh tons. The rate of increase in food production is expected to be 2.92 per cent during the current year compared to the last year's production.

The production of industrial goods showed an increase by 11.56 per cent and rose to 157.42 in 1986-87 with 1973-74 base year in the private sector it has been estimated that the production of textiles will decline although the production of all other products will increase.

Money supply increases

The money supply (broad money) increased by 7.29 per cent till March, 1987 which stood at 13237.30 crore. The money supply was 6.77 per cent during the last year. The total deposits of the commercial banks increased by Taka 842 crore and which stood at 11,226 crore in March, 1987. The percentage of deposit was 5.39 last year as against 8.11 p.c. this year.

/13046

CSO: 4600/1796

BRIEFS

OFFICIAL IN MOSCOW--Deputy Foreign Minister Mr Wajid Ali Khan Panni reached Moscow Friday on his way to Pyongyang to attend an extraordinary ministerial conference, on South-South cooperation, according to a message received here yesterday reports BSS. Mr. Panni was received by Soviet Deputy Foreign Minister Igor Rogachev who also hosted a luncheon in honour of the visiting dignitary from Bangladesh. The two deputy ministers discussed various matters of mutual interest including those relating to current international situation and bilateral cooperation between their two countries. The forthcoming visit of Bangladesh Foreign Minister to the Soviet Union also figured in the discussion. Both sides expressed their view that exchange of visits at various levels would promote better understanding, foster friendship and pave the way to greater meaningful cooperation to further mutual interests of the two peoples. Bangladesh Ambassador M.M. Rezaul Karim and senior officers of the embassy were present on the occasion. The deputy foreign minister along with his party is scheduled to leave Moscow today by a special flight for Pyongyang. [Text] [Dhaka THE NEW NATION in English 7 Jun 87 p 3] /13046

ENVOY FROM ALBANIA--Mr. Justin Niko Papajorgji has been appointed Ambassador of Albania to Bangladesh with residence in Beijing, reports BSS. Mr. Papajorgji graduated in international relations and joined the Ministry of Foreign Affairs in 1962. From March 1983 to August 1986 he was ambassador and permanent representative of Albania to the United States. [Text] [Dhaka THE NEW NATION in English 7 Jun 87 p 3] /13046

ENVOY TO ZIMBABWE--The Government has decided to appoint Lt. Gen. (Retd) Mir Shawkat Ali, BU, PSC. at present High Commissioner for Bangladesh to the Republic of Zimbabwe, it was announced in Dhaka on Wednesday, reports BSS. [Text] [Dhaka THE NEW NATION in English 21 Jun 87 p 3] /13046

NEW VIETNAMESE AMBASSADOR--Mr. Nguyen Hoa has been appointed Ambassador Extraordinary and Plenipotentiary of the Socialist Republic of Vietnam to Bangladesh with residence in Rangoon, an official handout said here today. Born in 1924 Mr. Hoa joined the Ministry Foreign Affairs in 1956. He held various important positions both at home and abroad before becoming Ambassador of Vietnam to Indonesia in 1973. Mr. Hoa will succeed Mr. Pham Manh Diem. He is married and has six children. [Text] [Dhaka THE NEW NATION in English 10 Jun 87 p 3] /13046

ENVOY FROM UAE--Mr. Ibrahim Jawad Al-Ridha has been appointed ambassador of the United Arab Emirates to Bangladesh, reports BSS. Born in 1930, Mr. Al-Ridha graduated from Karachi University, he joined the Ministry of Foreign Affairs in 1974 and served in various capacities before being promoted to the rank of minister plenipotentiary in 1982. He is married and has eight children. [Text] [Dhaka THE NEW NATION in English 22 Jun 87 p 3] /13046

OMANI AMBASSADOR--Ambassador designate of Oman Salim Muhammad Bin Salim Al-Khussaiby presented his credentials to President Hussain Muhammad Ershad at Bangabhaban yesterday. Presenting his letter of credence, Mr. Salim Muhammad expressed the confidence that the existing friendly and brotherly relations between Bangladesh and Oman would be strengthened further in the coming days. Reciprocating the sentiment President Ershad assured the envoy of all possible cooperation of his government in the discharge of his responsibilities. Earlier on arrival at Bangabhaban, Mr Salim Muhammad was given a guard of honour by a smartly turned out contingent of President's guard regiment. He took salute and inspected the guard. [Text] [Dhaka THE NEW NATION in English 22 Jun 87 p 3] /13046

BULGARIAN AMBASSADOR'S CREDENTIALS--Bangladesh Ambassador to Bulgaria, Mr M Anwar Hashim, presented his letter of credence to Mr Toor Zhivkov, Chairman of the State Council of Bulgaria on May 22, reports BSS. The presentation was received by a guard of honour and followed by an audience with Chairman Zhivkov. During the audience he conveyed to the Bulgarian Head of State the warm greetings and sincere good wishes from president Ershad. He also extended through him the best wishes from the people of Bangladesh to the friendly people of Bulgaria. In reply Chairman Zhivkov requested him to convey his best regards and best wishes to President Ershad and the good wishes from the Bulgarian people to the people of Bangladesh. [Text] [Dhaka THE NEW NATION in English 25 May 87 p 3] /13046

NEW SENEGALESE ENVOY--Mr. Aladit Amadou Thiam has been appointed ambassador extraordinary and plenipotentiary of the Republic of Senegal to Bangladesh with residence in Riyadh, reports BSS. Mr. Thiam was born on March 3, 1942 and joined diplomatic service in May 1972. He held various positions at home and abroad before becoming technical adviser in the office of the minister of state in charge of foreign affairs in July 1979. Mr. Thiam is married and has four children. [Text] [Dhaka THE NEW NATION in English 21 May 87 p 3] /13046

AMBASSADOR TO ROK--Bangladesh Ambassador to South Korea Saiyid Ahmed Mahmood presented credentials to President Chun Doo Hwan Saturday according to a message received here reports BSS. While receiving the ambassador President Chun conveyed his greetings to Bangladesh President and expressed his happiness at the government decision to set up resident embassy in Seoul. He happily recalled Bangladesh President's 'very fruitful' visit to Korea and the existing bonds of friendship between the two countries. He assured the ambassador of all help in discharging his responsibilities. [Text] [Dhaka THE NEW NATION in English 8 Jun 87 p 3] /13046

ITALIAN AMBASSADOR'S CREDENTIALS--The Ambassador designate of Italy, Dr Sandro Maria Siggia, presented his credentials to President Hussain Muhammad Ershad at Bangabhaban Tuesday morning, reports BSS. Presenting his letter of credence, Dr Sandro Maria Siggia expressed his confidence that the existing bonds of friendship between Bangladesh and Italy would be strengthened further in the days to come. Reciprocating the sentiment President Ershad assured the new Italian Envoy of all possible cooperation of his government during his tenure of office in Bangladesh. Earlier on arrival at Bangabhaban, the Italian Ambassador was given a guard of honour by a smartly turned out contingent of the President's Guard Regiment. He took salute and inspected the guard. [Text] [Dhaka THE NEW NATION in English 3 Jun 87 p 3] /13046

NORWEGIAN ENVOY'S CREDENTIALS--The Ambassador designate of Norway, Mr. Karee Daehlen, presented his credentials to President Hussain Huhammad Ershad at Bangabhaban on Wednesday, reports BSS. Presenting his letter of credence, Mr. Karee Daehlen expressed the hope that the existing bonds of friendship between Bangladesh and Norway would be further strengthened in the coming days. Reciprocating the sentiments, the president assured the new Norwegian envoy of all possible cooperation of his government in discharge of his duties in Bangladesh. [Text] [Dhaka THE BANGLADESH OBSERVER in English 19 Jun 87 p 3] /13046

AMBASSADOR TO PRC--Mr. Farooq Sobhan, at present High Commissioner to Malaysia, has been appointed as Ambassador of Bangladesh to the People's Republic of China, reports BSS. Mr. K.M. Shehabuddin, at present Ambassador of Bangladesh to Poland, has been appointed as Ambassador of Bangladesh to Kuwait. Mr. A.K.M. Fazlur Rahman, at present Charge d'Affaires of Bangladesh to Bahrain, has been appointed as Ambassador of Bangladesh to Qatar. [Text] [Dhaka THE BANGLADESH OBSERVER in English 7 Jun 87 p 8] /13046

NEW GDR ENVOY--Mr. Klaus Maser has been appointed ambassador extraordinary and plenipotentiary of the German Democratic Republic to Bangladesh, Foreign Office announced on Thursday, reports BSS. Born on August 22, 1932 Mr. Maser has a diploma in political science and studied foreign affairs at the German Academy for political and legal sciences. A career diplomat Mr. Maser joined the Ministry of Foreign Affairs in 1959. Prior to his present assignment he was working in the South and South East Asia Division of GDR Foreign Ministry. He will succeed Mr. Lothar Nestler, the announcement added. He is married and has one son and two daughters. [Text] [Dhaka THE BANGLADESH OBSERVER in English 5 Jun 87 p 3] /13046

OIL FROM IRAN--Bangladesh will import two lakh tons of crude oil from Iran under an agreed minute signed in Tehran during the visit of Commerce Minister M.A. Munim, reports BSS. The importation of oil in exchange of Bangladesh jute and jute goods will be made by March next year, Mr. Munim said. The Commerce Minister, who returned Dhaka on Wednesday morning concluding an eight-day visit to Iran, was talking with newsmen at his secretariat chamber. He said he had several rounds of discussions with his counterpart H.A. Jafari and other Ministers for broadening the framework for expansion of bilateral trade. Besides oil importation, another agreed minute on the establishment of joint chambers between the two countries, enabling traders of both sides to

have direct contact, was also signed during the visit, he added. Bangladesh whose annual import of crude is about one million tons, last year bought one lakh tons from Iran. Mr. Munim who led a 10-member Bangladesh delegation at the invitation of the Iranian government had "fruitful and satisfactory" talks with leaders there. He said "we have been able to identify advantageous relationship". [Text] [Dhaka THE BANGLADESH OBSERVER in English 11 Jun 87 p 1] /13046

BANGLADESH-PRC TRADE--Bangladesh and China are stepping up their efforts to improve trade between the two countries which, while increasing fast in recent years, has been running more strongly in China's favour, a China daily said on Sunday, according to a message received in Dhaka on Monday, reports BSS. The Sunday Edition of China Daily (Business Weekly) in a report said, in order to reverse this trend, the countries set up a Joint Economic Commission in 1984 to look for ways to improve economic, scientific and technical cooperation. The third session of the JEC which ended last week in Beijing led to a protocol being signed on improving economic relations. The Bangladesh Deputy Minister of Finance, Fakhrul Islam Munshi, took part in the meeting. "We are very satisfied with the political and economic relations of our two countries," said Enayetullah Khan, the Ambassador of Bangladesh to China. He said trade volume between the two countries in the past two years since July 1985 as also economic assistance was three times more than the total in the years after Bangladesh established formal diplomatic links with China in 1975. Exports from Bangladesh to China rose from US dollar 33.5 million in 1985 to US dollar 43.5 million in 1986 under a barter agreement alone. [Text] [Dhaka THE BANGLADESH OBSERVER in English 16 Jun 87 p 1] /13046

DIESEL FROM USSR--Bangladesh Petroleum Corporation (BPC) will import 60,000 metric tons of high speed diesel oil from the USSR during July-December '87 under barter protocol, a BPC Press release said, reports BSS. The total value of the purchase will be about taka 30,000 crore the contract was signed in Dhaka Wednesday. Dr. Waliuzzaman Director, BPC (operations and Planning) and Mr. Sergey V. Chernenko of trade office of the USSR in Bangladesh, represented their respective countries. [Text] [Dhaka THE BANGLADESH OBSERVER in English 1 Jun 87 p 3] /13046

BANGLADESH-SOVIET EDUCATION PACT--Bangladesh and Soviet Union yesterday signed a protocol for mutual recognition and balancing of degrees and certificates in education and science, reports BSS. The protocol has been signed in accordance with the agreement on scientific and cultural cooperation signed in December, 1972 between the two countries. It will enable mutual recognition of degrees and certificates given in arts, science and technical fields by higher secondary educational institutions and universities of Bangladesh and the USSR. Education Secretary M.A. Sayeed and the USSR Ambassador in Bangladesh, V.G. Beliaev, signed the protocol on behalf of their respective government. Both sides expressed satisfaction at the signing of the protocol. [Text] [Dhaka THE NEW NATION in English 15 Jun 87 pp 1, 8] /13046

CHITTAGONG FOREIGN OFFICE CELL--Special Chittagong Hill Tracts cell has recently been opened in the Foreign Office to effectively deal with the situation there. The cell will be headed by a Director-General. The issues related to Chakma insurgency were so long being looked after by the Home Ministry. India and its Border Security Force (BSF) have become perturbed at the steady return of the Chakma refugees from camps in Indian state of Tripura. India has been using the Chakma issue as a lever to pressurise Bangladesh to accept larger number of refugees. [Text] [Dhaka THE BANGLADESH OBSERVER in English 4 Jun 87 p 1] /13046

PAPER REPORTS U.S. ENVOY'S REMARKS IN KASHMIR

Bombay THE TIMES OF INDIA in English 22 Jun 87 p 7

[Text] Spinagar, 21 Jun (PTI)--The U.S. ambassador in India, Mr John Gunther Dean, has said his country had offered India, a "middle order" super-computer, which it had given to Britain, France and West Germany.

Answering questions after a meeting here last evening, Mr Dean said he failed to understand why his government's offer had not been accepted, despite the fact that "we are responsive and forthcoming."

Without naming any country, Mr Dean disclosed that "another country" in the neighbourhood of India was also asking for the super-computer, but said his government perceived India's request for it as a move for friendship.

Asserting that no country would provide another with the latest of its technology, Mr Dean said the "next higher threshold" of the super-computer would be available to India after it obtained the middle order computer.

He said the U.S. had kept the door open for India to import the computer for the study of weather and climatic changes. "Once the first one is there, the next one of a higher threshold would also be available," he observed.

Referring to negotiations held in December last for the supply of super computers, Mr Dean said in the middle of the discussions, the Indian side asked for a change in the system, after negotiating two agreements on the subject.

The ambassador said that co-operation between India and his country was steadily expanding in science and several other fields, including defence production, despite differences in some areas.

He cited as evidence of increasing cooperation the deal on construction of gas turbine engines for naval vessels, entered into with General Electric.

Other joint ventures in defence production were also in the offing, he said.

The Jammu and Kashmir chief minister, Dr Farooq Abdullah, who presided over the meeting, said Mr Dean's visit was the first ever "official visit" by U.S. ambassador in India to Kashmir.

He said the differences between the two countries could be overcome through understanding and persuasion.

The American ambassador said that the object of his visit to Kashmir was to find a few areas of cooperation in the overall context of expanding ties with India.

UNI adds:

Asked whether there had been a shift in the U.S. policy on the Kashmir issue, Mr Gunther Dean said this was a "domestic problem" and that he did not wish to comment on it.

The ambassador said the U.S. investment in India was now worth \$19 billion, with 832 joint ventures between the countries. He said an agreement for setting up a modern gas turbine was under consideration with India. In Jammu and Kashmir, he said the U.S. would undertake a project at the Sher-i-Kashmir institute of medical sciences with regard to viral hepatitis.

The U.S., however, has to learn a lot from India about latest developments in mining technology, he said.

Mr Gunther Dean said there were 16,000 Indians studying in the United States--many of them specialising in various fields--who were being paid scholarships worth \$40 million every year.

Indians were the largest in number among those engaged in research in his country, he said.

The ambassador said there were a total of 600,000 Indians in the U.S.

Mr Gunther Dean said the present relationship between India and the U.S. should be seen in totality. Political relationship was a small aspect of the overall relationship, he said.

"There might be certain things which we may like or not, but we must look to our mutual interests, he added.

The ambassador said differences between India and the U.S. were very often due to differences between global powers on the one hand and regional powers on the other.

Speaking on Indo-U.S. trade, Mr Dean said India had achieved a huge trade balance worth RS 80 crore (\$8 million U.S.) in its favour.

/9274

CSO: 4600/1821

INDIA

SOUTH ASIA

SHIPS TO STAY AWAY FROM NORTHERN GULF PORTS

Calcutta THE STATESMAN in English 15 Jun 87 p 4

[Text] Dubia, June 14--India has become the second country after Japan to order its ships away from the northern Persian Gulf ports following the increased attacks on neutral ships in that area by Iran and Iraq, reports UNI.

The Indian decision comes in the wake of attacks on Indian, Soviet and other vessels by the two warring countries as well as the "unintentional" Iraqi air raid on the U.S. frigate, Stark, in which 37 people were killed.

Shipping sources said that for about three weeks now, Indian ships had been coming to the Gulf but only to visit ports like Dubai and Abu Dhabi, lower down in the Gulf.

The Indian decision means that in addition to Iraqi and Iranian ports, Indian vessels would not now visit Kuwaiti and Saudi Arabian ports in the upper Gulf.

India buys oil from both Iran and Iraq, which have been its traditional main suppliers, but the two countries have now been told to arrange deliveries from "safer" ports.

More than 300 ships of various countries have been hit and almost an equal number of people killed since the outbreak of the Iran-Iraq war in September 1980.

Most of the Indian ships coming to the Gulf belong to the State-owned Shipping Corporation of India which has to load oil and petroleum products from the region and supply certain raw materials and foodstuff under Government to Government contracts.

The Indian ship hit last month allegedly by an Iranian gunboat, was the SCI oil tanker, B. R. Ambedkar. Ambedkar was attacked by a gunboat with rocket-propelled grenades and it took a week to repair it at the Dubai drydocks.

/9274

CSO: 4600/1810

PAPERS REPORT OUTCOME OF TALKS WITH EEC AT BRUSSELS

Delegation Leader's Remarks

Madras THE HINDU in English 13 Jun 87 p 7

[Text]

NEW DELHI, June 12.

The just-concluded talks between India and the European Economic Community (EEC) at Brussels have prepared the ground for a marked shift from cooperation related to specific projects to that covering a wide spectrum of activities aimed at improving the competitiveness of Indian manufacturing industry in the global market.

The Union Industries Minister, Mr. J. Vengal Rao, who led the Indian delegation to the talks, told presspersons here today that for the first time the EEC would provide on-going assistance in specific areas of mutual interest without tying them to specific projects. This would provide a great deal of flexibility for India to obtain the necessary technology suitable to specific requirements in identified fields.

According to him, the whole approach of the Indian Government was to bring about improvement in standards, quality upgradation, efficiency of energy use and exportability of Indian products. Towards this end, it was agreed that the EEC would provide assistance in the form of exchange of information and experts, besides training programmes. The EEC would provide the documentation of European standards to the Bureau of Indian Standards, Export Inspection Councils and other similar organisations. This was regarded as a significant step towards mutual recognition of certification which would greatly facilitate the export of Indian goods to the EEC market.

Access to European data banks: One of the major breakthroughs of the talks related to access to the European Data Banks. The EEC would consider the setting up of an Information Centre in the EEC's New Delhi office to provide Indian users access to specified European data base. An expert appointed by the EEC to the proposed Centre could act as an intermedi-

ary between Indian users and Euronet Diane. Initially, the EEC would provide free access to the data bases, including the telecommunication costs. The EEC would install on-line facilities between the proposed Centre and the European Data Bases.

The EEC would also provide assistance for setting up an industrial technology data bank in India. The Directorate-General of Technical Development (DGTD) would be the nodal agency for this purpose. A delegation from DGTD would visit the EEC to examine the methodology and other aspects involved in setting up such a data bank. An expert from EEC would help the DGTD design and establish the proposed data bank. It would be useful to Indian industry in identifying suitable European partners for industrial collaboration and joint ventures, besides enabling the Indian Government identify appropriate technology relevant to Indian needs in specific fields.

In the field of information technology and telecommunications, the EEC would help introduce CMC and other Indian software houses to European software companies as part of the measures to introduce India's software capability to the European users. A joint technological study would be undertaken for identifying alternative technologies for rural telecommunication networks.

Engineering: In engineering, it was agreed that the Confederation of Engineering Industries (CEI) would establish formal contacts with its counterpart organisations in Europe. For this purpose, access to EEC's Business Cooperation Network and other data sources on opportunities for technology transfer and joint ventures would be provided.

In the steel sector, an Indian team would visit the EEC for follow-up discussions on areas of cooperation. The EEC had also agreed to provide assistance for specific projects in sericulture, packaging, footwear and pollution control in leather tanning.

Indo-EEC Agreement

Bombay THE TIMES OF INDIA in English 15 Jun 87 p 9

[Text]

NEW DELHI, June 14 (PTI): In an effort to make the Indian manufacturing sector competitive and raise the quality of items to European standards, government has entered into agreement with the European Economic Commission (EEC) for cooperation in several areas including access to European data banks.

The commission has agreed to provide assistance for the setting up of an industrial technology data bank in India and help in the proposed Indo-EEC energy management centre. EEC will provide documentation of European standards to Bureau of Indian Standards, Export Inspection Council and other concerned organisations in India to adopt their test procedures.

Briefing newsmen on the deliberations with EEC at Brussels, the industry minister, Mr J. Vengal Rao, said the wide ranging talks for bringing about closer cooperation in the industrial sector had been most fruitful leading to a number of important decisions.

Mr Rao said the proposed centre would be given necessary hardware and software support to facilitate Indian users access to data networks

currently being set up for use within the community.

An expert appointed by the commission to the proposed centre could act as an intermediary between Indian users and Eurolnet Diane. In the initial period, it is expected that the commission would provide free access to the data bases including telecommunication costs.

The commission has agreed to provide assistance for the setting up of the industrial technology data bank in India. Directorate general of technical development have been identified as the nodal agency for setting up of this data bank. This is expected to be very useful to the Indian industry in identifying suitable industrial partners for collaboration and joint ventures.

Possibility of joint ventures in the field of medical and surgical equipment would also be explored through the appointment of a professional consultant by the community.

Mr Rao said in the engineering field, it was agreed that the Confederation of Engineering Industry would establish formal contacts with the counterpart organisations in Europe. A CEI delegation would visit Europe in this connection to explore opportunities for better exchange of information among its members for possible collaboration with European industry.

In the field of information technology, telecommunications and electronics, it was agreed that a joint techno-economic study would be undertaken for identifying alternative technologies for rural telecommunication networks.

The ministerial level talks on June 4 and 5 were preceded by official level talks between delegates of India led by Mrs Otilia Bordia, and EEC delegates led by Mr Jean Durieux.

/9274

CSO: 4600/1808

GANDHI ADDRESSES SOUTH ASIAN FOREIGN MINISTERS

New Delhi PATRIOT in English 19 Jun 87 p 5

[Text]

Following is the text of Prime Minister Rajiv Gandhi's address to the Foreign Ministers of SAARC countries on Thursday, reports PTI.

We are delighted to welcome back to Delhi our friends, the distinguished Foreign Ministers from our neighbourhood. We hope that you and your delegations will enjoy a comfortable stay in New Delhi despite the rigours of the weather. Our seasons too — the hot and the humid as much as the cool and the bracing — are a part of our sharing under SAARC.

We met in New Delhi in Vigyan Bhavan four years ago to sketch out the first tentative beginnings of the cooperative endeavour which was to grow into the South Asian Association for Regional cooperation, inaugurating that meeting, Smt Indira Gandhi said: "There are many regional organisations, some fully developed, some still at a tentative stage... let us not be disheartened if we have some difficulties and differences to contend with. We are at the beginning of what promises to be a useful journey".

We have done much to fulfil that promise, perhaps much more than any of us would then have imagined.

We have put in place firm institutional foundations. We have a charter of principles and a programme of work. We have fashioned modalities of cooperation carefully tailored to the realities and compulsions of our region. We have drawn upon our ancient traditions of conciliation, consensus and

concord while responding to contemporary circumstances. We have imparted strength and durability to our cooperation. South Asian Cooperation is not a blind imitation of the experience of others. It is an authentic expression of our particular needs, our particular priorities and our particular genius.

Good work has been done in the months that have elapsed since Bangalore. Progress has been especially heartening in the two new areas of cooperation identified at the Dhaka summit, women in development and the prevention of drug trafficking and drug abuse. We have achieved a breakthrough in defining areas of joint action against terrorism — a breakthrough of significance for deliberations in global forums.

We had emphasised at Bangalore the need for our programmes to go beyond Governments and officialdom to reach out to our peoples. Viable regional cooperation must leave an impact on the lives of the people in a palpable, tangible manner.

There is evidence of a growing awareness of this in the plans of action being elaborated by the technical committees. One would hope that the political-level consideration of the new ideas starting today will help deepen popular participation and popular involvement in our programmes of regional cooperation.

The momentum of our work can be accelerated only by the impetus of

fresh thinking. Consolidation is important, but not enough. There must also be expansion and growth. We have before us the proposal to establish a South Asia food security reserve. Where 20 years ago many of us were still dependent on food imports for survival, our remarkable achievements in agriculture have made it feasible to counter scarcities and unexpected shortages by recourse to our own resources. Our national self-reliance as countries would be reinforced by a framework of regional self-reliance.

We share common aspirations for our people. We need peace for development. We strive for economic growth and social progress. We must conserve our environment. We must preserve our heritage. This is our responsibility severely as independent nations and jointly as members of this association for regional cooperation.

Geography has given us something of a distinct identity. History binds us. Culture is a unifying factor, provided it is founded in respect for our diversities and a celebration of our interaction. Our problems are many, but similar. One country's solutions often find validity in another. Indeed, cooperative solutions may well be the quickest and most effective. We have inherited the wisdom to work towards living with each other in peace, amity and a fruitful cross-fertilization of experience and ideas.

It is in this spirit that I welcome you once again to New Delhi. You have a challenging task ahead of you. I am confident that your meeting will take us further ahead. The people of South Asia join me in wishing you good luck and all success.

OBSERVER WRITES ON RECENT VISIT OF ANATOLIY DOBRYNIN

Calcutta THE TELEGRAPH in English 10 Jun 87 p 6

[Article by I. K. Gujral]

[Excerpt]

This was Dobrynin's second visit to Delhi in a matter of six months. During Mr Mikhail Gorbachyov's November visit he was very much there but being a member of the largish team he did not come in to focus. The Gorbachyov regime elevated Mr Gromyko to the sinecure position of presidency though his influence as a senior member of the Politburo still counts.

Mr Dobrynin was recalled from Washington to head the international department in the CPSU and given the status of a party secretary. Being a key man in the Soviet hierarchy, his visit to Delhi was significant. He was able to meet the leadership of our country and also have discussions with groups of non-official politicians, mediemen and intellectuals.

The visit also erased an erroneous impression that his charge in the international department is confined to the West and superpower relationships. We must also know that in the Soviet hierarchy the international department of the CPSU has supremacy over the foreign office. All major policy decisions emanate from it and even appointments to key diplomatic assignments are subject to its approval.

For many years, during the Brezhnev era, Mr Boris Ponomarev headed this department. In a way he represented

the old Stalinist school of diplomacy. While he was an alternate member of the Politburo, Mr Gromyko was its full member. So his influence on foreign policy postulates was decisive. Mr Ponomarev's area was mostly confined to East Europe's ruling parties. He had visited India two or three times mainly to attend congresses of the Communist Party while Mr Gromyko himself came on all crucial occasions. In 1977 Mr Ponomarev came to meet Mr Morarji Desai and Mr Atal Behari Vajpayee to know for himself the tilts and proclivities of the Janata Party. His acquaintance with the new leaders facilitated my mission as the then Indian ambassador in Moscow a great deal. He came again in 1980 to meet Mrs Gandhi upon her return to power. In a long meeting he tried to justify the Soviet armed intervention in Afghanistan but despite his legendary diplomatic skills he could not persuade her beyond a point. Mrs Gandhi fully understood the parameters of her interests and was a match for him as a skilful negotiator.

Mr Dobrynin came here in the midst of turbulent times. For the first time a Soviet dignitary came "at the invitation of the Indian government and the leadership of the Indian National Congress(I)." The motivation for co-hosting was obvious. The argument that Mr Dobrynin's non-governmental

position necessitated this is not relevant. After all Mr Gorbachyov too is the CPSU General Secretary and he was a guest of the government and for good reason. In the Soviet hierarchy and protocol, party officials have supremacy over their counterparts in the government.

In the past, on some occasions, lower level CPSU delegations were invited to the Congress Party's open sessions, but such invitations were also extended to many friendly parties and foreign missions.

The inter-party relationships between the Congress and the CPSU have always been ambiguous. Their proximity has varied with the exigencies of internal situations.

Kamaraj was the first president of the Congress to visit the Soviet Union. But that was a difficult time for Mrs Gandhi. Her credentials as a leftist were not endorsed by the left here nor was her "progressive" image yet accepted by the Soviets. She, in private, viewed the visit as an embarrassment.

After a long pause, Mr Arjun Singh, as the party vice-president, was an honoured guest during the 27th congress of the CPSU. He was given due attention and status.

During my tenure as ambassador, the party general secretary Mr A.R. Antulay, who was a powerful figure in the

Emergency period, came to Moscow, but not much notice was taken of him. I arranged his meeting with the head of the South Asia desk, Mr. Ulyanovsky, and his aide Kit-subin, but they met him in the party hotel and not in their office.

It is interesting to recall that a departure from this practice was made only in the case of Mr Madhu Limaye, then Janata Party general secretary. He was received by the number two in the international department of the CPSU at the party headquarters. Though his own party colleagues at home subsequently tried to malign him on this count, I was present at the meeting and I must say that Mr Madhu Limaye's performance during the discussion was indeed remarkable.

Mr Darbara Singh went to Moscow early this year as a guest of the CPSU. He was lodged in the party hotel, Octoberskaya, an honour reserved for leaders of foreign communist parties. He also had a meeting with Mr Dobrynin. Unless the Gorbachyov regime has reversed the earlier precedents and practices, this could be viewed as a landmark in the Congress(I)-CPSU proximity.

The visible signal that the co-hosting of the recent Dobrynin visit gives is likely to affect the CPI-Congress(I) relationship. Of course it would be too early to forecast the trend since many other factors and forces within the Congress(I) itself are likely to react.

The CPI and CPI(M) leaders met Mr Dobrynin separately and conveyed to him their perceptions of the national scene. While opposing economic policies and some internal policies of the government, the left leaders by and large bought the ruling party's postulations regarding the "foreign hand."

The communist parties, it must be recognised, are now major components of the Indian polity. They do not lean any more on internal or external props to achieve their political objectives. Past experience would inhibit their closely embracing the Congress(I), whose own social and ideological content is very different

from its earlier phases under Mrs Gandhi's leadership. But the latest shift in the Congress(I)—for whatever reasons and howsoever endurable—would reduce some distance, though it will soon cause a cruel dilemma within the Congress(I) ranks.

It is easier to endorse a radical resolution but its fallout is likely to split the ranks. The Congress(I) of today does not even remotely resemble the party of the Sixties and early Seventies. Though the motivation of the first Congress split ('69-'70) was personal, the skilful leftists in the party soon clothed it with radical jargon, that later yielded electoral dividends and brought the left parties close to the Congress.

The '78 split, on the contrary, divorced the party from all such elements who had the spark of ideology. The Sanjay recruits proudly paraded under the banner of non-ideology. Mr Rajiv Gandhi's party, by and large, is in the grip of the same elements. Even the new entrants do not have a different coloration. Their pragmatism may accommodate the leftist rhetoric but it cannot tolerate any ideological shift.

The communist parties and the CPSU experts understand this. In any in-depth discussion they ask for the identification of those Congress(I) men whose leftism may be credible.

A scrutiny of Mr Dobrynin's meetings in Delhi would indicate that the Soviet Union has understood the pluralistic characteristic of our democracy. While keeping on the right side of the ruling party it is unwilling to encourage any exclusive relationship that would keep away other parties and individuals.

Primarily due to our geo-strategic compulsions and the benefits accrued from our friendship with the Soviet Union, an overwhelming majority of the Indian people assign high priority to Indo-Soviet friendship. Obviously the Soviet policymakers would not like to narrow this consensus. On the contrary, all the "friendship" groups have been signalled to broaden their base to include the estranged or neutralised groups and indi-

viduals. This "all-inclusive" approach will be manifested in the seminars and discussions to be held in Moscow and Delhi during the festival years.

The Dobrynin team included Mr Volkov who has been heading the South Asia desk since 1979. He is an accomplished diplomat who has survived the Gorbachyov reshuffles and has been elevated and given a personal rank of "ambassador." This would give him direct access to the foreign minister. It seems no new deputy minister has been appointed after the departure of Mr Kapitsa to superintend his portfolio. Mr Volkov speaks English and French with equal facility and his knowledge of the men and affairs of this subcontinent has a touch of class.

The committee of economic relations with foreign countries has undergone a complete change. Almost all the men I dealt with have been retired except Mr Litvinenko who is presently in Delhi as economic counsellor. His successor, Mr Khotislov, was in the delegation. Judging from the state of our own interrelations in this sphere, his must be a positive entry.

The team also included Mr Flexin Yurolov and Mr Andrei Gonlyaev from the international department of the CPSU. Mr Yurolov is an old India hand. He has served in India and has dealt with this country in various capacities from Moscow. He is presently in charge of the India desk while his predecessor, Mr Kitsubin, has substituted Mr Ulyanovsky as in-charge of the Asia desk.

A very significant member of the delegation was Major General Boris U. Sktinsky,

head of the general staff of the Soviet Union armed forces. His presence would have facilitated Mr Dobrynin's meeting with the defence minister and his presentation of the Soviet viewpoint regarding Afghanistan and the changing Gulf scene.

Mr Dobrynin had a long meeting with Prime Minister Rajiv Gandhi. Although this was a one to one meeting, the curtain raising had been done a few days earlier by the Soviet media. The *New Times* had said, "For weeks now the Indian ship of state is being steered by someone into the middle of a sort of Bermuda triangle whose political whirlpools threaten to drag it into the vortex of a dangerous crisis."

The article was uncharacteristically frank. It believes that the "roots of the present crisis situation in the country should, evidently, be sought in the economic basis of the Indian bourgeois state, for what is in question above all is a conflict between the financial and business interests of two rival monopoly groups of private capital..."

But more damagingly it also said (referring to the Fairfax affair) "...its (Fairfax) agents began probing for information about Rajiv Gandhi's closest associates and about sources of the revenues of the ruling Indian National Congress(I) party. And such information in any bourgeois state—India is no exception—is sacrosanct, carefully guarded secrets from outsiders."

The author is a former Indian ambassador to the Soviet Union

/9274

CSO: 4600/1804

DEVELOPMENTS IN INDO-SOVIET ECONOMIC RELATIONS

Soviet Expert Interviewed

New Delhi PATRIOT in English 4 Jun 87 p 9

[Article by Rajiv Shah]

[Text]

Moscow, May 3—A top Soviet expert on Indo-Soviet economic ties has informed that a "number of foreign companies are proposing with Soviet enterprises to have joint ventures, but till date no concrete proposal has come from India.

Talking to *Patriot* on the occasion of Foreign Minister N D Tiwari's Moscow visit for the joint economic commission meet beginning here on 5 June, Dr Victor Korneev, senior research fellow in the newly-founded Institute for Foreign Economic Relations under the Soviet State Committee on External Economic Ties headed by Mr V Kamentsev, said so far six major proposals had come from the FRG and Finland.

These were in their final stage to be ratified by the Council of Ministers. As for India, "only preliminary talks are going on so far". The expert, who is also reputed to be a foremost adviser to Mr Kamentsev and his team, continued, "small Indian companies are the only ones which are interested it seems. The large and medium ones are still shy... There are rumours about joint ventures in restaurants, but there are no concrete proposals yet", he said.

Dr Korneev is the only scholar looking after the ties with India

in the 60-odd senior researchers' team in the institute of the ministry headed by Mr Kamentsev.

"Our enterprises want direct ties with Indian firms with long term financial involvement", he declared when he was asked what exactly he meant by joint ventures. Broadly summing up the future of the Indo-Soviet economic ties, Dr Korneev said, "production cooperation, widely talked about now, however, is not new to both of us. This began in 1970s with HEC, MAMC and BHEL, all public sector concerns. We have enough groundwork done in this area, therefore, we are studying its prospects on a broader basis".

But he thought that production cooperation still was a rather "narrow area" seen from the angle of the present requirements of both Soviet and Indian economies.

"What does production cooperation mean? An Indian firm would buy our equipment and expertise and then begin production on its own but without involving any long term financial involvement from both the sides. But this is quite narrow. Our emphasis is on joint ventures. In production cooperation no finances are involved. But in joint ventures financing and profits play the major role..."

Asked what kind of joint ventures did he or the Soviet officials would like to have, Dr Korneev said, "I can give you my personal opinion... We are interested in high-tech areas and high quality consumer goods sector, both in public and private sector. Only companies with high expertise need participate in this".

Identifying more concretely he said, "This could range from shoe manufacture and textiles to electronic components and software", adding, "But talks at the ministerial level are important though they cannot dictate joint ventures. Indian companies should directly talk with Soviet companies through their representatives in Moscow.

"The Indian Confederation of Engineering Industries" has an officer here. Its representative can do that, for instance. But Indian enterprises should realise that ours is an economy of scale needing highly intensive technology with a very big market. Cooperation with small companies in this case is ruled out..."

Asked what is the reason for lack of response from Indian firms in this new field, the scholar said, "Till now we did not have a framework to have joint ventures". Hence, he suggested creation of "institutional frame-

works" as a starting point to make things work smoothly.

This in his opinion could include things like avoiding double taxation, more active participation by private sector companies and their representative bodies such as FICCI and Assocham, study of markets both in India and the Soviet Union, and may be a special cell to help distinguish between real and phoney proposals.

He also thought that the newly-founded Indo-Soviet Chamber of Commerce, "so far a body of small businessmen" should be given a higher status to expedite the process of giving a broader opening to the private sector.

Dr Korneev was of the opinion that areas so far identified for

production cooperation in January this year, including electronic equipment, small computers, colour TV sets, chemicals and pharmaceuticals, demand for which, could be seen in everyday life in the Soviet Union, could as well be extended for having joint ventures.

Asked why should the Soviet companies be interested in high-tech items from India when they are available in the West and when the West can, therefore, be more advantageous for joint venture purposes in the area, the expert replies, "It is not a secret that both India and the Soviet Union are short on hard currency".

"I would like to cite an advertisement published in the paper *Vechernyaya Mosca* by an American company on a high-tech item. After giving full details

on the nature of the time, at the bottom it was written: "You can buy the item from our subsidiary in India without involving hard currency, if you wish".

Dr Korneev felt that all this should be seen in the context of the fact that the structure of Indo-Soviet economy, depending on the structure of the economies of the two countries and their requirements, is changing. "Earlier the emphasis was on metallurgy. Then it was power and energy, including coal and oil. Now both India and the Soviet Union want to modernise their industries. Hence the need to switchover from trade relations to tightly knit economic cooperation through joint ventures, the kind of which we have the CMEA countries".

Report on Moscow Talks

Bombay THE TIMES OF INDIA in English 7 Jun 87 p 10

[Text]

MOSCOW, June 6 (UNI).

INDIA and the Soviet Union today signed several protocols relating to energy, power, metallurgy and other areas at the end of the two-day plenary session of the Indo-Soviet economic, technical and scientific commission.

The protocols were signed by the external affairs minister, Mr N. D. Tiwari and the Soviet deputy prime minister, Mr V. Kamentsev, co-chairman of the commission.

An agreement on the construction of the Tehri hydro power station will be signed in June next in pursuance of a protocol.

During the deliberations, the commission identified measures to increase the bilateral trade turnover by two-and-a-half times in the next six to seven years.

The commission reviewed the progress on the construction of the Vindhyachal super thermal power station and transmission lines upto Jabalpur and Itarsi.

The two sides decided to sign an agreement on the 840 mg Khabgaon thermal power station soon. The Soviet Union agreed to set up an organisation in India for servicing and repair of the Soviet supplied machinery and equipment.

Talks are in progress for renovating these plants, including Neyveli in Tamil Nadu. An agreement is expected

to be signed by July.

Under a protocol signed on oil and gas, Soviet teams will commence drilling oil wells in north Cambay and Kaveri basins in July and in West Bengal later this year.

The two sides were satisfied at the progress in metallurgical and power collaboration. The first phase of Visakhapatnam steel plant will be completed by 1988. A programme for collaboration in ferrous metallurgy is expected to be finalised by July.

Also, an agreement has been reached on the high speed shaft sinking at the Navapahar mines.

The commission set up working groups on agriculture and water resources to explore and widen the area of collaboration.

A highlight of the commission's work pertains to the Soviet Union's assurance to supply the Oil and Natural Gas Commission powerful computers of EC-1061 Mark by June.

The two sides identified many areas for joint ventures and discussed the possibility of setting up more Indian hotels in the USSR on Turnkey basis to promote tourism and public health facilities.

Mr Tiwari in his remarks at the plenary session disclosed that a major agreement for collaboration in science and technology will be signed during the Prime Minister, Mr Rajiv Gandhi's forthcoming visit to the Soviet Union.

Remarks on Protocol Signing

New Delhi PATRIOT in English 7 Jun 87 p 1

[Article by Rajiv Shah]

[Text]

Moscow, June 6—At the protocol signing ceremony after the eleventh meeting of the inter-governmental Indo-Soviet Commission on economic, scientific and technical cooperation, which ended here in Moscow, Foreign Minister N D Tiwari and Deputy Prime Minister V Kamentsev, co-chairmen, expressed the hope that as a result of the decisions taken during the two-day meet, trade between the two countries would go up by 2.5 times in the next five to seven years. The increase would take place through new forms of cooperation right now under study, it was pointed out.

Mr Tiwari said the protocol was not just a one year programme but a medium and long term perspective for the economic ties between the two countries. He called the protocol innovative and a reflection of shrewd perceptions. In his reply, Mr Kamentsev said the meeting was the first significant step towards implementing the decisions taken during the Delhi summit of Rajiv Gandhi and Mikhail Gorbachev.

A press release said in the power sector, it was agreed that the general

agreement on construction of the Tehri complex would be signed in June 1987, while the progress of construction of Vindhyachal thermal power station and the transmission line to Jabalpur and Itarsi was reviewed.

Simultaneously, it was agreed that a contract for Kahalgaon thermal power station on 840 megawatts would be signed shortly. The Soviet Union agreed to set up a service organisation in India for the power equipment of Soviet origin. There were also discussions on setting up the Bakreshwar power station in West Bengal.

An agreement was reached for starting drilling in north Cambay and Cauvery in July-August 1987, where Soviet organisations were currently carrying out seismic surveys, and in West Jagute area in West Bengal in late 1987. A long term programme for cooperation in ferrous metallurgy up to 1992 was drawn up, while it was agreed that the commissioning of the first stage of Visakhapatnam plant be done in 1988 and the second stage in 1990. As for the construction of two converter shops in Bokaro, the Soviet Union agreed to submit a revised proposal.

Import Possibilities Surveyed

New Delhi PATRIOT in English 14 Jun 87 p 9

[Text]

Bombay, June 13—The India-USSR Chamber of Commerce and Industry (IUCCI) is undertaking with the help of Tata Consultancy Services and others, a techno-economic survey to identify the raw materials and machinery that India can import from the USSR in order to augment its own exports to that country, according to Mr Manubhai Shah, president of IUCCI.

On the eve of the formal inauguration of the western zone chapter of IUCCI, Mr Shah stressed at a small function that

there can be no reason for not making such purchases from USSR, if prices and quality were satisfactory.

Another area on which IUCCI was concentrating its attention, he added, was on joint ventures. Already about 117 proposals had been received for the setting up of Indo-USSR joint ventures in India. The IUCCI proposes to lead a 40-member delegation to Moscow to have further discussions with the counter-parts concerned.

Likewise, IUCCI has forwarded about 15 proposals for such joint ventures to be set up in the

step up this trade by 2.5 times within three years. The chamber would play a useful role in achieving that target. It will also provide information and assistance for joint ventures. The chamber has already established Indo-Soviet Investment Centre to help in that process. The western zone chapter of IUCCI has already been functioning for the past six months and has organised six important seminars. It has also established the possibility of six joint ventures being set up in the western region.

The chamber at Delhi has 1,400 members. It is always ready to help every one approaching it whether he is its member or not. Mr Ramu Deora, Mr Babubhai Patel, Mr I V Balan, Mr Jagannathan, Mr Girish Chitalia, Mr A S Padamsee, Mr Rasikbhai Bhuta, Mr Rajnikant Mehta and other active members were extending, he said considerable help to the western zone chapter of UCCI. Dr Victor Egorov, consul general and Mr B A Rubstov, USSR trade commissioners were among those present.

Soviet Union. He stressed in this context that the Soviet Union welcomed foreign investment under its new policy of 'openness'.

He also revealed that the Soviet Union had indicated its willingness to supply rough diamonds to India. However, it would like to have payments in dollars in this case. We are considering this matter which is still fluid.

Mr Shah dwelt at length how the Soviet Union had helped India in the past when western countries were reluctant, in setting up projects for the manufacture of some life saving drugs, heavy electrical machinery steel etc. and in developing our coal mining, coal washeries etc. Taking advantage of their new slogan of 'openness', we should avail of their technology wherever it suits our requirements.

Mr Jiten P Mody, chairman of west zone chapter of IUCCI, said that the USSR was our number one trade partner with a trade of about Rs 4,700 crore. The leaders of the two countries had agreed to

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CSO: 4600/1800

CIVIL AVIATION TAKES 'NEW TURN' WITH SOVIET PLANES, ADVICE

Madras THE HINDU in English 22 Jun 87 p 7

[Text]

NEW DELHI June 21.

Indian civil aviation is poised to take a new turn soon with the induction of Soviet-designed aircraft. Air India has finalised plans to lease an Il-86 airbus type aircraft from Aeroflot to use on its Delhi-Moscow route. The aircraft, a four-engined wide-bodied jet capable of carrying 350 passengers in a nine-abreast configuration, will be used to tide over the problems of using an Airbus A310 aircraft on the route. The problem arises from the fact that twin-engine aircraft have to choose routes that are 60 minutes single-engine flying time away from suitable alternate airports. Since the only alternate on the Delhi-Moscow route is Tashkent, some problems have been encountered in routing flights here. The Il-86 will certainly consume more fuel as compared to the Airbus A310, but with deflated fuel prices, this is not an over-riding concern.

The Ministry of Civil Aviation has just concluded preliminary discussions with a visiting Soviet delegation for upgrading the instrumentation of Indian airports. With the cost of upgrading Delhi and Bombay to Category II ILS systems amounting to nearly Rs. 190 crores, almost all of it in foreign exchange, the Ministry is hoping to utilise the enormous rupee credits offered by the USSR to upgrade the various airports in the country at a faster pace.

Another proposal receiving serious consideration in the Ministry is for the acquisition of a number of AN-28 twin-engined 18-seater turbo-prop aircraft for Vayudoot. Having completed the acquisition of the first 10 Dornier Do-228 aircraft the Ministry which has pushed for a rapid expansion of this feeder airline is in no position to acquire more since the order book of HAL is already full. AN-28, designed as a replacement for AN-2, is a sturdy aircraft with non-retracting landing gear capable of taking off in 260 metres and landing in 170. It is

specially designed for rough and safe operations with full-payload in hot and mountainous terrain and for stall-free operations. It is used in the USSR for training future jet pilots of the Aeroflot.

The aircraft designed by the Antonov Bureau is now manufactured by the PZL Mielec Works in Poland which has fitted the aircraft with Rzezow TVD 10S turbo prop engines. It is not air-conditioned or pressurised and has a unique feature for easy convertibility to a cargo configuration. The first Polish-made aircraft rolled out in 1984, though the first prototype itself was made in the USSR in 1969. It is not clear as to how the Polish-Soviet part of the deal will be handled.

Ministry sources say that the Soviet connection ignored for so long has become imperative due to the crunch on resources to fund the ambitious expansion programmes in the area of civil aviation. The Soviet Union does not follow international certification procedures for aircraft, though it has its own stringent process. Some aviation sources also note that Soviet documentation i.e. the continuous publications of a product outlining the product improvement or modification procedures, is not of international standards. Undoubtedly, it will all be in Russian and it will be necessary to develop a mechanism to ensure adequate product-support regime which is another major lacuna of Soviet industry which is geared for producing aircraft with military applications.

The USSR has so far ignored the need for fuel-efficient engines or for that matter engine development that focusses on 'on-condition' maintenance to minimise replacements and the time lost on this. The fine-tuning of the Soviet aviation industry to commercial aviation leaves a lot to be desired. However, the next generation aircraft like the Il-96 -300 airbus, is said to be the most fuel-efficient aircraft of its category.

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CSO: 4600/1822

GANDHI, ZIAUL HAQ EXCHANGE MESSAGES BEFORE SAARC MEET

Madras THE MINDU in English 20 Jun 87 p 1

[Text]

NEW DELHI, June 19.

In a blunt message to the Pakistan President, Gen. Zia-ul-Haq, the Prime Minister, Mr. Rajiv Gandhi, firmly rejected the suggestion that the forum of the South Asian Association of Regional Cooperation be used for sorting out bilateral problems (between India and Sri Lanka). The exchange of communications between them on the eve of the meeting of the Foreign Ministers, was not publicly known so far—even after the stand taken by both Pakistan and Sri Lanka for changing the basic character of SAARC.

SAARC, the Prime Minister told Gen. Zia, had been set up to promote cooperation in technical, economic and social fields in South Asia on the basis of unanimity and the inclusion of bilateral controversies in its scope would impose unbearable burdens on the grouping. The Prime Minister, obviously proceeded from the premise that any such expansion would be violative of the SAARC Charter which barred discussion of bilateral and contentious issues.

Pakistan's attitude

India, it was clear, did not like the "holier than thou" attitude of Pakistan, reflected in Gen. Zia's note nor the suggestion that Mr. Gandhi and the Sri Lankan President, Mr. J. R. Jayewardene, meet to discuss the present situation. India, Mr. Gandhi told the Pakistan President, was capable of dealing with bilateral relations, implying that the gratuitous advice was unnecessary.

The Pakistan President, it appears, had expressed concern over the recent developments (an obvious reference to the air-dropping mis-

sion in the Jaffna peninsula) and expressed the view that it would create problems for SAARC.

Junejo's letter

The Pakistan Prime Minister, Mr. Mohammed Khan Junejo, also wrote to Mr. Gandhi on the subject. The Prime Minister replied to Gen. Zia's communication only.

The professed concern of Pakistan for Sri Lanka, expressed in the notes sent to New Delhi later found public expression in the speeches of the Pakistan Foreign Minister, Mr. Yakub Khan, and the Foreign Secretary, Mr. Abdul Sattar at the SAARC meetings. Mr. Khan said: "Far too often, we come across expressions of cynicism within the SAARC countries and in the rest of the world that bilateral differences in South Asia are too strong to permit the fruition of regional cooperation among us. We should take note of this negative view and demonstrate through our words and deeds that such differences as we may have would not stand in the way of building purposeful co-operation".

New Delhi had also noted the visit, after the airdropping mission, of a military team from Sri Lanka, led by Brig. C. H. Fernando, to Pakistan, as also the reports that the two countries worked in concert in military terms, and that Pakistan had provided training facilities and advisors to Sri Lankans.

New Delhi did not appear to be losing its sleep over these intensive military contacts nor the concerted move to bring bilateral issues within the SAARC framework. This conclusion was permissible from the way it had handled the move for widening the scope of the grouping, apart from other factors.

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CSO: 4600/1819

REPORTAGE ON DEVELOPMENTS IN SRI LANKA SITUATION

Gandhi Discussion With Opposition

New Delhi PATRIOT in English 18 Jun 87 p 1

[Text]

India was keeping a watchful eye on possible Sri Lankan efforts to involve outside powers in the Sri Lankan and regional situation, and "will not just sit back silently", Prime Minister Rajiv Gandhi said on Wednesday.

Mr Gandhi delivered the caution during a meeting with Opposition leaders Wednesday morning, and said the 4 June airdropping of emergency relief supplies over Jaffna was a gesture and assurance to the Tamil population in Sri Lanka and "a message" to the Colombo Government.

The message, he said, was that "we are not going to watch the situation silently". He hoped the message has registered to some extent.

"We are very alert and vigilant", Mr Gandhi said tersely when an Opposition leader drew his attention to recent visit by Sri Lankan Internal Security Minister Lalith Athulathmudali to Pakistan and other countries outside the region in a bid to secure their support and assistance.

However, it was too early to assess the exact situation, Mr Gandhi told the Opposition leaders, while voicing India's disapproval of efforts to "induct" outside powers in the Sri Lankan and regional situation.

Minister of State for External Affairs K Natwar Singh, who attended the 130-minute meeting, earlier apprised the Opposition leaders of the recent development in Indo-Sri Lankan

relations, including an agreement between the two countries on arrangements for reaching relief supplies to the Tamils in Jaffna.

In response to the Opposition leaders' queries, Mr Natwar Singh expressed the hope that Sri Lanka would seriously consider the 19 December proposals for a negotiated political, peaceful settlement.

When Opposition leaders asked whether Sri Lanka still stood by the proposals, Mr Natwar Singh pointed out that President Jayewardene has been saying that he favoured the proposals, except the linkage between the northern and eastern provinces as the militants were demanding.

The aim of India's endeavours in Sri Lanka, the Prime Minister told the Opposition leaders, was to ensure that the Tamils got their rightful place.

When an Opposition leader said that the airlifting operation was "unnecessary" and that by this action India had unnecessarily given an impression that it was violating the sovereignty of a small neighbour, Mr Gandhi countered by stressing that the international reaction to the airdrop operation was "much milder than expected".

Several members demanded that the quantum of relief assistance that India would render to the Tamils in Sri Lanka, under last Monday's bilateral agreement, should be "adequate". The airdropped relief was only a gesture.

Agreement on Relief Supplies

Calcutta THE TELEGRAPH in English 16 Jun 87 p 4

[Text]

The following is the text of the joint communique on the agreement between Sri Lanka and India on relief supplies:

Taking into account discussions between India and Sri Lanka from June 1, 1987 onwards: Motivated by the desire to provide relief supplies to Sri Lankan citizens on the Jaffna peninsula and appreciate that Sri Lanka has accepted the offer, desiring to sustain and further good neighbourly relations between the Governments of India and Sri Lanka and respecting Sri Lanka's sovereignty and territorial integrity, it was agreed today 15th June, between the Governments of India and Sri Lanka in Colombo that the following will be the modalities for despatch of relief supplies from the government and people of India to the Sri Lankan citizens on Jaffna peninsula.

1. Relief supply will be sent by Indian vessels up to Kankesanthurai. The Indian vessels will be unarmed. Prior to loading, relief supplies will be inspected by representatives of Indian Red Cross and any representatives of Sri Lanka government that it may choose to nominate.
2. The government of India will convey in advance the routes that Indian vessels will take from ports in India to Kankesanthurai. The Sri Lankan Navy will escort these vessels when they enter Sri Lankan territorial waters, the Sri Lankan naval and port authorities concerned will make necessary arrangements to receive Indian vessels bringing in supplies.
3. Logistical arrangements for offloading of supplies at Kankesanthurai port, arrangement for their transport and distribution of goods to areas in Jaffna peninsula including the Vadamarachchi region, Tenamarachchi and Vallikanam west region and Jaffna city will be undertaken by the Government of Sri Lanka through the government agent, Jaffna, and the following agencies will be associated with the distribution of humanitarian aid.
 - A. Six representatives of the Sri Lankan Red Cross including representatives of the Jaffna chapter.
 - B. Six representatives of the Indian Red Cross.
 - C. Representatives of the Jaffna multi-purpose cooperative societies.
 - D. Two representatives of Government of India/Indian High Commission.

Precise tonnage description of relief supplies to be despatched by India will be decided mutually through normal diplomatic channels.

/9274

CSO: 4600/1827

BANGLADESHIS IN 'ILLEGAL OCCUPATION' OF BORDER AREA

Calcutta THE TELEGRAPH in English 14 Jun 87 p 6

[Text]

Guwahati, June 13: Over 5,000 Bangladeshi nationals are in illegal occupation of 191 acres of Indian territory at Mankachar on Assam's border with Bangladesh. This came to light recently during a survey in the Baraibari sector of the border for the construction of an all-weather road along it. According to officials here, the Indian survey team was prevented from performing its task by the Bangladesh Rifles (BDR).

A top security official told this correspondent that nearly 1.5 km in the Baraibari area had long been regarded as disputed territory. This area, the official added, began at border pillar no. 1067. The Assam chief minister, Mr Prafulla Kumar Mahanta, had recently said that the area was clearly shown in maps as being on our side of the border.

Besides, 15 other areas, ranging from seven to 12 acres each, are under the "adverse possession of Bangladesh" in the Karimganj sector of the border, an Assam government official said.

The state government is firm

on securing control over these areas. Mr Mahanta apprised the Prime Minister, Mr Rajiv Gandhi, of the matter when they met in New Delhi last week. According to the chief minister, India would soon take up the issue with the Bangladesh government.

A state government official said India had turned down the Bangladeshi plea for a joint survey of the disputed area following the breakdown of the talks between BSF officials and their BDR counterparts.

Asked what would happen to the people residing in the disputed Baraibari area if Bangladesh agreed to "cede" it to India, Mr Mahanta had said: "They will have to accept Indian citizenship if they want to stay on, or else they will have to go back (to Bangladesh)."

A top BSF official said that under the Indira-Mujib agreement, India and Bangladesh are supposed to maintain status quo on the disputed territories. The two late leaders had agreed to maintain status quo until the agreement was ratified by Parliament and a joint survey of the border undertaken.

/9274

CSO: 4600/1807

TIWARI REPORTS TO PARLIAMENT PANEL ON PRC STOPOVER

Bombay THE TIMES OF INDIA in English 24 Jun 87 p 9

[Text]

NEW DELHI, June 23.

THE Sino-Indian dialogue on the border issue is being raised to the political level with a visit by the external affairs minister, Mr N. D. Tiwari, to Beijing, possibly in August this year.

The ground for this meeting was prepared during Mr Tiwari's discussions in Beijing earlier this month, when he stopped over for talks with the Chinese acting Prime Minister, Mr Wan Lee, and acting foreign minister, Mr Liu Shuqing, on his way to Delhi from north Korea.

The external affairs minister told the parliamentary consultative committee attached to his ministry today that his talks in Beijing had covered the border situation and that he had told the Chinese leaders that Indian troops had been given strict instructions not to cross the border and they had not done so.

The Chinese were told that India was deeply committed to maintaining peace and tranquillity all along the Sino-Indian border.

Mr Tiwari's official visit to Beijing will be followed by official-level eighth round of discussion on the border issue in New Delhi in November. This, he described as a "positive development."

The minister said he had proposed to the Chinese that an appropriate forum could be considered by the two

countries for facilitating expansion of trade and economic relations. There was considerable scope for expansion of bilateral relations, the two sides had agreed.

The Chinese leaders welcomed the recent trade agreement between the two countries and felt such ties should be intensified.

During the discussion on the situation along the Sino-Indian border, the members said efforts should be made to normalise relations. All issues should be resolved through dialogue and discussion, they said.

The consultative committee also discussed inconclusively Indo-U.S. relations and the minister said the U.S. government had decided in principle to supply airborne early warning system to Pakistan. The precise system would be decided later.

Mr Tiwari recalled that members in both the houses of Parliament had expressed concern over the proposed supply of AWACS to Pakistan and shared the members' concern over the induction of such sophisticated force-multipliers into the region.

The members voiced serious concern at the U.S. policies in south Asia, which had adversely affected India's security environment. Mr Shahbuddin (Janata), however, wanted the government to recognise the fact that its leverage with the U.S. administration

was limited, and that it should concentrate on improving relations with Pakistan so that scope for external forces meddling into this region was reduced.

It was also noted that the U.S. bilateral aid to India had declined even though there had been an upsurge in the commercial relations between the two countries.

A background paper prepared by the external affairs ministry said that the U.S. was India's largest trading partner and it had the largest number of collaborations with Indian companies. It accounted for 15 per cent of India's exports and 10 per cent of India's imports.

Mr Basu recalled that only last month, the minister of state for external affairs, Mr Natwar Singh, visited the U.S. for talks and failed to persuade the Reagan administration to give up its "anti-India policies". Mr Tiwari explained that under the circumstances, he did not think it proper to visit the United States.

Mr B. R. Bhagat, former external affairs minister, dwelt on the evolution of Indo-U.S. relations in the historical perspective. While one member wanted the government to acquire nuclear weapons as that was the only language that the United States understood, another member pointed out that by making three or four nuclear bombs, India was not going to impress the U.S.

/9274

CSO: 4600/1824

REPORT ON TIWARI SPEECH TO NONALIGNED MINISTERS

New Delhi PATRIOT in English 10 Jun 87 p 9

[Text]

Pyongyang, June 9 (PTI) — India today called upon fellow non-aligned members to renew and reaffirm their total commitment to help each other and collective self-reliance.

The second aim of the five-day NAM ministerial meeting on South-South cooperation should be to focus on the most promising areas and give form to their commitment by specific programmes, External Affairs Minister Narayan Dutt Tiwari said.

India's call was made at the first plenary session after the conference was inaugurated at the ornate Mansudae assembly hall today by North Korean President Kim Il Sung with a plea to break with the ties of economic subjugation and build independent national economies.

If South-South cooperation is successful, it can make the present unfair international economic system ineffective, establish a new, fair international economic order and have a good influence on improving South-North relations as well, he said.

The opening session also heard a message from the movement's current chairman Robert Mugabe about how the current meeting called by the Harare summit was being held in the background of the continued deterioration in the world political and economic situation.

Speaking for the Asian group, Iranian Foreign Minister Dr Ali Akbar Velayati said the largest and most populous continent with rich natural resources, a long civilisation and strategic location

had a vast potential for mutual cooperation. India has been chosen to make the closing statement for the Asian group.

At the plenary later, External Affairs Minister N D Tiwari voiced the hope that the meeting would initiate concrete programmes that would have a real impact on the lives of their people and help free them from poverty, malnutrition and disease.

Underlining the dangers of dependence on the developed countries, he said efforts to surmount the debt trap would have to be based upon assisting each other to develop a collective self-reliance.

The Pyongyang declaration and the plan of action expected to emerge from the meeting would also address the problem of developing countries' debt burden, projected to reach \$ 1,080 billion by the end of this year. It had crossed the trillion dollar mark in 1986.

Noting the retreat from the spirit of multilateralism in a few major developed countries, Mr Tiwari hoped that the meeting would lead to a political commitment to bring about a payments arrangement among developing countries.

He also suggested that each non-aligned country designate a national institution for the movement's Research and Information System (RIS), so that a network of the system endorsed as far back as in 1976 in Colombo could become operational.

The report on the world economy in the 1980s brought out by

the RIS just before the Harare summit was a good example of the type of independent research work that the non-aligned countries should increasingly undertake in the future, he suggested.

Mr Tiwari said in the area of commodities, sharing of research and development experience, joint marketing, harmonisation of production and pricing policies and measures to improve access to markets and competitiveness vis-a-vis synthetic substitutes could make a meaningful programme.

India gave the highest priority to intensifying economic relations and commercial exchanges with developing countries and despite its own resources shortage it had implemented a technical and economic assistance programme, he said.

The programme encompassed sharing expertise, technology and experience in fields ranging from agriculture, small scale industries to medicine and engineering with a large number of developing countries.

Describing Africa fund as a major accomplishment of the Harare summit, he hoped that all countries would contribute to the fund with which India is closely associated.

The long sought just and equitable world order would require a determined and sustained struggle from all of them, Mr Tiwari said, quoting Prime Minister Rajiv Gandhi's advice that to carry conviction with others they must demonstrate at their will by creating a new order in areas they could act themselves.

JOINT JAPANESE BUSINESS COOPERATION PANELS MEET

Calcutta THE TELEGRAPH in English 19 Jun 87 p 8

[Text]

New Delhi, June 18 (PTI): India and Japan plan to double the bilateral trade to the \$6 billion mark in the next four years, Mr R.P. Goenka, chairman of the Indian section of the India-Japan business cooperation committee, said here today.

Briefing newsmen on the deliberations of the standing committee of India-Japan business cooperation committees held in Srinagar, Mr Goenka said the committee had also agreed to reduce India's present trade deficit against Japan by half to \$400 million in the next two years.

The Japanese side stressed the need for positive efforts by Indian manufacturers and exporters for increasing exports to Japan, taking advantage of appreciation of the yen.

Mr Goenka said the working on joint ventures in marketing and trading recognised the fact that such ventures should be commercially viable and meet the approval of the Indian government. The Indian side was asked to draw up a blueprint for discussion at the next meeting of the group.

In view of the yen appreciation, the Indian delegates urged

the Japanese companies to shift production bases to India with buy-back arrangements.

In the area of telecommunications, it was clarified that India was looking for foreign technology in a number of areas. Special mention was made of cellular radio systems, paging equipment and railway signalling systems.

Mr Goenka said that in the petro-chemical and gas-based chemicals industry, both sides spelt out the need for Japanese technology not only in the field of manufacturing but also in cost reduction, quality improvement and energy saving in the form of technology transfer.

The Japanese side spelt out some of the problems faced by them in transferring technology to India. These included delay in obtaining necessary approvals, frequent changes made in customs and excise duty and non-availability of comprehensive guide book on foreign collaboration and investments in India in Japanese languages.

The Japanese side suggested that India should send a group of experts to Japan to further develop non-conventional sources of energy projects.

/9274

CSO: 4600/1817

REPORTAGE ON DEVELOPMENTS IN ALLEGED BOFORS DEAL

Tiwari's 8 June Statement

Calcutta THE TELEGRAPH in English 9 Jun 87 p 1

[Text]

New Delhi, June 8: The government of India has asked the Swedish government to disclose the names of the "culprits" in the Bofors deal so that exemplary punishment can be meted out to them "under the laws of our land," according to the minister of state for public enterprises, Mr K.K. Tiwari.

In a statement released here today, Mr Tiwari said the present government had no intention of shielding culprits as the Janata government had done to save some of its leaders after the Vaidyalingam committee report.

Mr Tiwari's statement also made serious charges against the former defence minister, Mr V.P. Singh, and challenged him to face a parliamentary probe. Mr Tiwari alleged that while Mr V.P. Singh was finance minister, he had shown favours to a Bombay company which had made nearly Rs 200 crores as a result of these favours. Mr Tiwari also charged Mr Singh with having a stake in the company.

Mr Tiwari said that apart from this, Mr V.P. Singh had shown favour to Citibank for its operations in India and had landed lucrative jobs for his relatives in the bank. Mr Tiwari was obviously referring to charges that Mr V.P. Singh's elder son, Mr Ajay Singh, has invested in debentures of Reliance Industries Ltd, with funds borrowed from a London financier.

Mr Ajay Singh, 29, a qualified chartered accountant, borrowed

\$20,000 from an investment firm in London. The investment firm is owned by an Indian. Towards the end of last year, Mr Ajay Singh found employment with Citibank in New York as officer-in-charge of NRI portfolio investments.

Tax evasion alleged

Mr Tiwari alleged that Mr Singh was involved in tax evasion to the tune of crores of rupees in his trusts and "fraudulent" land deals running into hundreds of acres in Uttar Pradesh, adds UNI.

He said Mr Singh's princely fraternity had smuggled gold, jewellery and priceless antiques worth thousands of crores of rupees out of the country and deposited their sale proceeds in Swiss banks. Many of them were also running companies in foreign countries without informing the government of India, he added.

Mr V.P. Singh was guilty of violating the oath of secrecy he took as minister by "pirating" away a secret government paper for the use of "enemies" of the nation, Mr Tiwari said.

"Will Mr Singh and his collaborators in the Opposition agree to a parliamentary probe into these charges?" Mr Tiwari asked. In the signed statement, he said it was surprising that Mr Singh should have hurried to "disown his ancestry of Jaichand when he is such a worthy successor in the line."

Mr Tiwari said Mr Singh and

his "cousins" in the Opposition should be "beholden" to the government that it had decided to hand over the inquiry into the Bofors deals to a foreign government.

"Its report could well have been doctored to suit the strategy of destabilisation of India by Mr Singh's mentors whose influence even on the Swedish government and Bofors could not be discounted," Mr Tiwari said.

Parliamentary probe

The Parliamentary committee to go into the report of the Swedish National Audit Bureau on the alleged kickbacks in the Bofors gun deal is likely to be finalised this week, reports PTI.

Highly-placed sources said the Speaker of the Lok Sabha and the Chairman of the Rajya Sabha were fully competent to appoint the committee comprising members from the two Houses and convening Parliament for the purpose was not necessary.

Soon after the receipt of the Swedish bureau's report, the government decided to request the Speaker and the Chairman to constitute a joint Parliamentary committee to go into the report and investigate the facts and issues therein, and to submit its findings to the two Houses. The Opposition parties appear to be divided on the question of the appointment of the parliamentary committee. A section of it, including the Lok Dal (B),

feels that no purpose would be served by appointing the committee now.

The Opposition leaders are planning to meet soon to decide their stand on the issue.

Swedish Audit Report

Calcutta THE TELEGRAPH in English 5 Jun 87 p 7

[Text]

The Swedish embassy presents its compliments to the ministry of external affairs and has the honour to inform them as follows:

The Swedish Government has studied the contents of the report on certain payments abroad made by Bofors, handed in by the national audit bureau to the minister for foreign trade on 1 June 1987.

The report of the national audit bureau referred to an examination of the records underlying an account delivered to the Indian ambassador in Stockholm by AB Bofors concerning certain payments in connection with the Howitzer contract signed with India in 1986. The national audit bureau examination was caused by a request from the Indian government to the Swedish government that an attempt be made to shed light on whether or not middlemen had been involved.

The details in the report are essentially based on information that the national audit bureau has obtained from the Bank of Sweden. The Bank of Sweden has made this information available to the audit on condition that it be classified for secrecy. These parts of the report may therefore not be made public. The other parts of the report are enclosed with this note.

It may be seen from the report that AB Bofors claims no middlemen were involved during the final phase of the negotiations but that costs did occur in connection with the winding up of dealings with earlier local agents. These costs were finally settled during 1986.

According to the national audit bureau investigation an

agreement exists on settlement of commissions subsequently to the Howitzer deal and information exists that considerable sums have been disbursed referring to this contract. There have been other payments made by AB Bofors during the period in question, the purpose and recipient of which it has not been possible to clarify with the aid of the data available to the national audit bureau.

Only AB Bofors is in a position to give a full account of its own payments. The government has therefore again urged AB Bofors to assist in shedding light on the matter.

The Swedish embassy avails itself of this opportunity to renew to the ministry of external affairs the assurances of its highest consideration.

New Delhi 4 June, 1987

Unofficial translation
The Swedish National Audit Bureau

The auditor general 1 June 1987
RRV Reg. no. 1987:478

UDH reg. no. 483/1987, PR

The government,
Ministry for foreign affairs,
Trade department

Instructions to the national audit bureau

On 29 April 1987 the government instructed the national audit bureau, after consultation with the ministry equipment inspectorate, to carry out an audit of the records underlying AB Bofors written report of 24 April 1987 to the Indian ambassador in Stockholm. The national audit bureau was also to go through any pertinent material at the authorities concerned. The audit was to be carried out without delay and the result was in the reported to the government no later than 1 June 1987.

The national audit bureau has been in contact with the following authorities to obtain any information relevant to the examination:

The military equipment inspectorate, the Bank of Sweden, the national police board, the national tax board, the custom office, the export credits guarantee board and the public prosecution authority in Orebro. Furthermore, the national audit bureau has been in contact with the newscast editorial office (Iko-Redaktionen) at the Swedish Broadcasting Corporation.

The national audit bureau also contacted AB Bofors (in the first instance Mr Anders G Carlberg, chairman of the board and president of the group Nobel Industrier Sverige AB, Mr Per Ove Hossberg, president of AB Bofors, and Mr Lars Gothlin, chief company lawyer at Nobel Industrier Sverige AB) in order to obtain information of importance for the audit. An authorised public accountant, Mr Ulf Gometz, Goteborg, who had been appointed by the national audit bureau to assist in the examination of material at AB Bofors, participated in some of these conversations.

AB Bofors has conveyed in various contexts a wish to assist in shedding light on this matter, but has at the same time stressed the importance of confidentiality with regard to the company's business operations. The national audit bureau has informed AB Bofors that Swedish legislation does not allow absolute confidentiality. On 20 May 1987 AB Bofors informed us that since confidentiality could not be guaranteed, it deemed that it could not allow the national audit bureau further insight into

the background material pertaining to some of the transactions specified in particular by the national audit bureau. Therefore, Ulf Gometz did not participate in the national audit bureau's subsequent investigations.

The information on which the national audit bureau bases its observations is mainly information submitted by AB Bofors in other contexts to the Bank of Sweden and Skandinaviska Onskilda Banken. Some supplementary oral information has also been given to the national audit bureau by AB Bofors.

A central issue in AB Bofors' communication to the Indian ambassador was whether or not AB Bofors had made any payments of the type mentioned in the media. AB Bofors says in its letter of 24 April 1987, inter alia:

"The statement made by AB Bofors that no middleman/representative/agent was used by Bofors to represent the company with the Indian authorities to win the contract in 1986 was correct. Contract negotiations and other contacts took place directly between the ministry of defence and Bofors. Consequently, no middleman was used to win the contract of 1986."

Bofors has not made any payments of the kind alleged by the media. Those payments that were made during the time in question, and possibly have given rise to erroneous conclusions, were in accordance with the contract for the reimbursement of consultant services within the areas of marketing and counter purchasing. The payments referred to by the Swedish Radio were made to a Swiss company and are completely legal in accordance with the Swedish currency regulations and other relevant Swedish regulations. The stated payments have not been paid to any Indian company or Indian citizen and have no connection with the winning of the contract of 1986."

It should also be mentioned that the then president of AB Bofors, Mr Martin Ardbo, pointed out, inter alia, in a letter of 10 March 1986 to the under-secretary of state at the Indian ministry of defence, Mr S.K. Bhatnagar: "We hereby confirm that we do not have any representative/agent especially employed in India for this project,"

Mr Ardbo added, however, that AB Bofors engages Linatronic General Corporation "for administrative sek 100,000/month, according to information received later from the company". The result of the national audit bureau investigations shows the following:

AB Bofors has orally given the national audit bureau the following picture of the background to, and content of, the Indian order and the company's working methods when marketing abroad:

Discussions with India about the delivery of F 11 77 began as early as 1977 with ordnance material trials in 1981 and final negotiations during the period December 1985-March 1986.

A supply contract was signed on March 24, 1986. In this contract, which was signed by AB Bofors and the President of India represented by the secretary of the Government of India, ministry of defence, there is no mention of commission. The order amounted to about sek 8,400 million and delivery was to take place during the period 1986-1990. On the same day a licence contract was signed. In addition, a credit agreement between Svensk Exportkredit and the Indian government and a memorandum of understanding between the Swedish and Indian governments were signed. According to AB Bofors, there are no other contracts, agreements or the equivalent. In the supply contract there is an agreement on "counter-purchasing" but according to AB Bofors, no such counter-purchasing has taken place to date.

Normally, AB Bofors has no permanent sales organisation, representative office or the like in the countries with which the company negotiates. On other hand, agreements are usually entered into with a person or persons in the respective country to assist with knowledge of local conditions, practical arrangements, (but not with sales). They receive payment according to efficiency (in principle).

AB Bofors made use of such contracts in India. The company states that after the Indian government had made the requirement that the deal should be

concluded directly between the parties, without middlemen, they began to wind up these contacts. These "winding up negotiations" began in 1985 and an agreement on them was reached before the deal was concluded. Bofors states that the costs of "winding up" amounted to 2-3 per cent of the order sum, that is sek 170-250 million, and that all this money was disbursed during 1986.

The picture given orally by AB Bofors can thus be summarised as follows:

- That there are no agreements on commission—that local contacts have been used but that these had been wound up before the negotiations were concluded.

- That the costs of this assistance ("winding up costs") amounted to 2-3 per cent of the order sum, that is sek 170-250 million and that the final payment was made during 1986.

- 3 payments of commission specified in the media (the Swedish radio company, Eko-Redaktionen, 16 April 1987). It was reportedly a matter of "three part-payments made in the middle of November 1986 of a total of sek 29.5 million, and a fourth payment of sek 2.5 million made in December."

However, in its letter to the Indian ambassador of 25 April 1987, AB Bofors, as may be seen above, has verified that payments had been made during the specified period and furthermore confirmed that they were related to the F 11 77 deal but concerned payment to a Swiss company.

At the direct request of the national audit bureau, the Bank of Sweden has considered making enquiries at the Swiss banks in question, but after careful consideration, has decided, in view of current central bank practice, that it should not do so.

The national audit bureau has assessed that the assignment—"to carry out an audit"—comprised examining whether or not payments were made and, if so, to whom, at what time, in what amounts and under what classification.

Furthermore, the national audit bureau has formed the opinion that since the Bank of Sweden did not consider it should make such an enquiry, an application to the Swiss banks to

obtain information about which payments were possibly forwarded should in that case be made through the government.

The observation of the national audit bureau are in summary as follows:

■ that an agreement exists between AB Bofors and...concerning the settlement of commission subsequently to the F 11 77 deal and that considerable amounts have been paid to, among others, AB Bofors' pre-

vious agent in India.

The national audit bureau hereby submits this report and the material on which it is based to the government and, by doing so, has completed what it was charged to do.

A decision in this matter has been taken by director-general Mundebo in the presence of audit-director Sandberg, presenting the report.
Ingemar Mundebo
Bo Sandberg

Request to Bofors

Calcutta THE STATESMAN in English 6 Jun 87 pp 1, 9

[Article by Paul Chutkow]

[Text]

PARIS, June 5.—In the face of sharp Press criticism at home, the Swedish Government has called on the arms manufacturer Bofors to make broad disclosures about its \$1.3 billion sale of field howitzers to India. But if Bofors refuses, the Government does not intend to seek either legal or commercial sanctions against the company, a Government spokesman told The Statesman today.

Mrs Anita Gradin, Minister for Foreign Trade, went on Swedish Television last night to demand publicly that Bofors make available information regarding payments made to purported middlemen in the Indian deal. A report released by the Government yesterday with key portions deleted, said that those payments might have totalled some \$40 million.

"Only Bofors can clarify the situation," Mrs Gradin was quoted as saying, in a clear effort to blame the company for the confusion still reigning in the Swedish capital about the details of the Bofors affair. Bofors refused to disclose the names of the purported middlemen to investigators from the National Auditing Bureau, arguing that as a private company it was under no legal obligation to do so. The

bureau's report was consequently seen by broad elements of the Swedish Press as inadequate.

In an editorial today headlined "Bofors and the truth", the liberal daily Dagens Nyheter criticized the company's policy of secrecy. But it also kept the public spotlight on the handling of the Bofors affair by the Government of Prime Minister Ingvar Carlsson, which had promised to wash the entire issue of such arms sales thoroughly and in public.

"The Government is again urging Bofors to bring clarity to their payments in connexion with the Indian order," the editorial said. "That means that the purpose of the Auditing Bureau's investigation has not yet been achieved".

The Bofors affair has clearly been an embarrassment for the Swedish Government, but it maintains that the National Auditing Bureau turned up no violation of Swedish law by Bofors. Swedish law prohibits the export of arms to warring nations or zones of conflict, but it does not bar the payment of agents' commissions on arms export deals. The Government has therefore tried to characterize the payments to purported middlemen as "an Indian problem".

"In Swedish terms, this is

not a major political issue," according to Mrs Ranveig Jacobsson, the spokeswoman for Mrs Gradin at the Ministry for Foreign Trade. In a telephone interview from Stockholm, she told The Statesman that the Opposition Conservative Party and the conservative newspaper Svenska Dagbladet agreed with the Government's decision not to disclose information it received on the payments from the National Bank of Sweden, in exchange for a pledge of confidentiality.

It was in conformity with statutes on bank confidentiality, she said, that information conveyed to the Indian Government did not contain specifics about the purported payments to middlemen. Copies of the five-page report, with its key portions deleted, were delivered both to the Indian Embassy in Stockholm and to the Indian Prime Minister's office in New Delhi, she said.

With the major political parties evidently eager not to blow the Bofors affair into further national embarrassment, and with Bofors seemingly unwilling to make further disclosures, it was Swedish National Radio that continued to provide the only new revelations.

According to reports from Stockholm, the radio has now named two companies

that it alleged received part of the \$40 million in commissions, totalling some 250 million Swedish kronor. It named one as "Svenska Inc." with Svenska being the Swedish spelling for Sweden. The other it named as "Lotus". No details were available about either company.

Mrs Jacobsson said she could not confirm or deny the radio's allegations. Noting that it was disclosure from the radio which triggered the Auditing Bureau's investigation in the first place, she acknowledged its reporters appeared to have sources of information that her Ministry did not.

"What the Government has done is something really quite unique, in setting this investigation into motion," she said. "But only Bofors can really clarify what happened".

Much of the Government's argument, and Bofors' continuing refusal to disclose further information, turn on the claim that the Government has no legal way to force a private company like Bofors to disclose details of its commercial transactions to the National Auditing Bu-

reau, which is an independent agency that monitors the spending of Government programmes and ministries.

But Mrs Jacobsson was asked about a seeming paradox in all this. Bofors is a subsidiary of Nobel Industries, a conglomerate that is not just one of Sweden's most illustrious names but also the nation's largest arms producer. Given its importance as a pillar of the Swedish economy, and as a supplier to the Swedish armed forces and Government, Nobel Industries would seemingly need to maintain a consummate working relationship with the Government, if not a "hand-in-glove" relationship. Was there not, therefore, a way for the Carlsson Government to pressure Bofors into further disclosures?

"That depends on what you mean by hand-in-glove," she replied. "Bofors is a private company, and when it comes to exports, the Government does have to give its permission. And it is important to the Swedish economy. Yes".

But Mrs Jacobsson emphasized that arms exports in

1986 amounted to only 1.22 per cent of all Swedish exports. "If you listen to the Swedish media, you'd think it was more like 80 per cent," she said. Still, she acknowledged that last year arms exports totalled 3,242 million kronors, roughly \$500 million.

Still given that the Minister for Foreign Trade was demanding that Bofors make further disclosures, was the Government prepared to back up its demand with any sort of legal sanctions?

"Well, no," Mrs Jacobsson replied. "Regarding legal sanctions, there is no suspicion they have done anything wrong in terms of Swedish law. On the other hand, Bofors does have to worry about its reputation".

And what about seeking Bofors' cooperation by denying it export permits, denying it Government contracts or other commercial sanctions?

"No, I wouldn't think that is what you do," the Foreign Trade Ministry spokesman said. "The Government wouldn't use that kind of retaliation."

INDIA TODAY Interviews Gandhi

Bombay THE TIMES OF INDIA in English 15 Jun 87 p 1

[Text]

NEW DELHI, June 14 (UNI):

THE Prime Minister, Mr Rajiv Gandhi, has ruled out termination of the Rs 1,700 crore Bofors gun deal but he is not averse to asking the Swedish arms company to refund the Rs 50 crores it had paid as commission.

In an interview to the "India Today", Editor, Mr Aroon Purie, and its senior editor, Mr Prabhu Chavla, he said the defence ministry was against the cancellation. "Others will jack up price and delay deliveries".

"Pakistan has already got the weapons, it has people trained to handle them. The defence ministry is very clear that this would cause a serious flaw in our defence. You have seen how quickly the situation flared up (of the borders) within ten to 15 days in January."

Q: Will you ask Bofors to return Rs 50 crores?

Mr Gandhi: We can take this up with Bofors.

Mr Gandhi, however, felt the Swedish audit report had vindicated, to a great extent, his government's stand on the issue.

"We had said that no middlemen were to be kept and it has been confirmed that there were no middlemen at the point of signing the contract," the Prime Minister said.

"Now, unfortunately, they have paid two per cent to three per cent in the winding up of an earlier middleman appointed in 1977," Mr Gandhi said, adding: "We feel that we could have a two per cent to three per cent lower rate."

"The gun is a good weapon. There is no dispute about that," he said.

Dealing with the operations of middlemen, Mr Gandhi listed the steps that the government had taken from 1980 onward to eliminate them, especially in defence.

The Prime Minister had received and okayed a note from the finance ministry a couple of days ago suggesting how to get at the root of the problem. The government would quietly implement these steps. "Otherwise somebody would try and thwart them," he added.

Mr Gandhi denied that the government was dragging its feet in investigating the Bofors affairs. On the contrary, he said "we did feel a little upset that they (Sweden) have gone and deleted half the things in the inquiry. Well, not half, but the critical things which could have helped us."

He said: "Now, we are asking them for these, to find a starting point. It is no use going berserk and saying that we will do this and that. We will do it at a critical point after everything else has been sorted out."

The Prime Minister said: "We have to talk to the Swedish government, to Bofors and try and get information out

of them, from what is missing from the report."

Q: Do you think that a payment of Rs 50 crores means that it is not purely an agent's commission, that there were other pay-offs?

Mr Gandhi: Let me tell you what I feel has happened. Whoever signed the agent's contract in 1977, must have signed for some absurdly high figure. And that is why the winding up has cost two per cent.

Q: Don't you find it strange that the payments for the termination of the agent's contract were made in November-December 1986, six months after the Bofors deal was signed?

Mr Gandhi: I don't see that as a complication, because a part of the payment for cancellation would come, as a part of their agent's contract. But the fact is that they had done it. There were no middlemen when we signed the contract.

Q: Do you have any idea about where the Rs 50 crores could have gone?

Mr Gandhi: We will chase it through the parliamentary committee. That

doesn't mean that we are not acting on the hard facts we have. The agent was mentioned in the revenue intelligence report and action has been taken.

Q: Why was he allowed to leave the country?

Mr Gandhi: He left earlier. What could we have done at that stage—arrest him? We must go through the full legal procedure. There must be no short cut. We will chase the matter with Bofors, the Swedish government and the Swiss for information. Whatever information we have got has been at our instigation. We put it up to the parliamentary committee because it is the most open kind of forum. Opposition members will be involved.

Q: Wouldn't it have been more effective if the government had found out the facts and taken the issue to its logical conclusion? The appointment of a parliamentary committee seems a sidestep.

Mr Gandhi: It is not a sidestep. The question is not so much of what is being done. The government must be seen not to be hiding something. What will, in fact, happen is that the parlia-

mentary committee may not be able to carry out this investigation. It will ask the government agencies for help. Then, we will be working with them.

Q: How hopeful are you of identifying the people who received the payments?

Mr Gandhi: We will have to wait and watch over the next ten to 15 days. We will study the report in terms of the law and on that basis we will ask the Swedish government and Bofors for further information. When we get those answers we will know exactly how hard we will have to fight to get to the other end. We are determined to get the other end.

Replying to questions about the former defence minister, Mr V. P. Singh, Mr Gandhi denied that their relations were strained. "He (Mr Singh) was carrying out our policies and I had full trust in him," Mr Gandhi remarked.

Admitting that losing any senior minister like Mr V.P. Singh was definitely a loss, the Prime Minister said he did not drop him. Mr Singh resigned.

Advice Against Cancellation

Bombay THE TIMES OF INDIA in English 16 Jun 87 pp 1, 9

[Article by K. Subrahmanyam]

[Text]

THIS is an analysis I would have liked to avoid writing. I have undertaken it at the request of the editor who feels that it is necessary to present an objective analytical framework in which the Bofors gun deal should be viewed in order to avoid unnecessary damage to the country's security.

I have not interacted with anyone who was involved in negotiating the deal or those who have reported on it. I have had long experience in weapon evaluation in the ministry of defence and the cabinet secretariat and an extensive academic background on problems of arms acquisition, arms trade and defence management. The analysis is a product of that background.

The Indian army urgently needs the 155 mm medium range guns. It was unfortunate that the proposal was under consideration for well over eight years and was unduly delayed. The medium gun is a standard equipment in all armed forces. India's need for it cannot be debatable issue. It cannot be equated with the acquisition of a cer-

tain category of submarines or a second aircraft carrier.

Having delayed its acquisition for so long we must do nothing now to further delay its induction into service. In his testimony given to the U.S. Congress on June 11, 1987, an American expert, Mr Antony Cordesman, has drawn attention to the balance of advantage Pakistan enjoys in respect of 155 mm artillery. This grave deficiency in respect of the Indian army artillery component needs to be rectified urgently.

The analysis of merits and demerits of weapons produced by different sources is a highly complicated professional task and it will be rash to draw conclusions by taking into account one, two or a limited number of parameters.

The application of systems analysis techniques to make a choice among competing weapons requires full range of data on all concerned weapons not only with reference to their performance characteristics but also in respect of a number of other factors such as maintenance, operability, growth potential, man-

power requirement, life cycle costs, flexibility of application, indigenisation pace, transfer of technology, etc. Over and above all this, the choice is influenced by financing arrangements and, other factors being equal, by political considerations as well.

As will be seen from the enumerated list of factors which contribute to a decision on the choice of a complex equipment system, it is unrealistic to make a judgment on that decision on the basis of the views of anyone group of specialists — such as the artillery specialists alone, though the user is entitled to have a significant or even a decisive say in the choice of the equipment.

Most of the investigative accounts published in the press originate from competitors and are invariably highly biased. Though such accounts appear to be very detailed to a lay reader they are not adequate for forming an informed judgment because such accounts criticise a rivals' equipment in a detailed way without providing complete data on the alternative choices.

Any cancellation of the Bofors deal at this stage as demanded by some

people will be an extremely unwise step. One cannot be too sure that there will not be similar charges in the future.

Further, cancellation of the deal at this stage will involve fresh negotiations with the manufacturers. Not only will this involve delays in supplies but the Government of India will be negotiating from a position of disadvantage since competition will have been reduced in view of the elimination of Bofors and the government will be under greater pressure than earlier to conclude the deal in view of the time already lost.

The probability is that the price will also be higher than the one paid to Bofors.

No amount of thundering on our part is going to make saints out of arms dealers. The lesson they will draw is that in future they should cover up their tracks better and should distribute their monetary inducements over a wider range of the political spectrum.

The proposed parliamentary committee to look into this affair is a distinct gain from the point of view of watch-dog procedures and should form a valuable precedent for the future. It is a novel experience in India and it is, therefore, necessary to ensure that the committee is able to function efficiently and arrive at meaningful conclusions.

The committee will need expert assistance. Since it has been established that there was a payment into some Swiss bank accounts, it is also essential that the army and the nation have full

confidence in the equipment to be manufactured under licence from Bofors.

In other words, it needs to be established that the decision on the Bofors gun is the best possible decision from the point of view of national security and national interests. So an expert body, which will command the confidence of the country and the army, has to be constituted. My tentative suggestion is that such a committee may include a former scientific adviser who has no connection with the government or a scientist of equal eminence, a retired artillery general, not lower in rank than a Lt-General, and a nominee of comptroller and auditor general (no longer in service) with background in defence finance or defence audit with a member secretary — again a retired official with no present connection with the government and with background in the defence ministry.

Such an expert group could clarify the quality of the decision to acquire the Bofors gun. This aspect should be separated from the issue of payments by Bofors into Swiss bank accounts.

If the expert group establishes that the decision to acquire the Bofors gun is free of any flaws, then the parliamentary committee needs to concentrate only on the question of the payments.

If the experts group finds that the decision itself suffers from any major flaw, then the parliamentary committee can also deal with it and give a

finding whether the contract would need to be cancelled. The expert group can give its finding within two to three weeks and therefore no time will be lost in adopting this procedure.

NATIONAL INTEREST

It is necessary in the national interest that judgment on the gun itself is not influenced by partisan considerations and that it is based on an objective and sound analysis by a non-partisan expert group which commands the confidence of the country. In nominating the group, the government will do well to take the other parties into confidence beforehand.

If matters are allowed to drift, if there is no separation of the two issues — the decision to buy the gun and the paybacks before the parliamentary committee starts functioning, and if the selection of the gun is subjected to a lengthy investigation by the parliamentary committee, a number of adverse consequences are bound to follow.

There is a risk that our parliamentarians may not rise above party politics. The negotiations in the Bofors case went on for years. If the decision is subjected to prolonged investigations by the parliamentary committee our decision-making process in respect of arms purchases will slow down further since those involved do tend to play safe. Arms manufacturers will be encouraged to influence our press and politicians to shape our decisions in the future.

Statement From Gandhi

New Delhi PATRIOT in English 17 Jun 87 p 1

[Text]

Prime Minister Rajiv Gandhi on Tuesday accused jurist Ram Jethmalani of trying to frustrate the move to set up a parliamentary probe into the Bofors issue by making false allegations against him, report agencies.

In a strongly worded six-line statement in Delhi Mr Gandhi dismissed Mr Jethmalani's accusations as "a tissue of lies concocted to mislead the public and frustrate" the parliamentary probe.

Earlier in the pay at a crowded press conference in Bombay Mr Jethmalani had alleged that the kickbacks in the Rs 1700 crore Bofors gun deal had been received by "Mr Gandhi and his friends".

Mr Jethmalani, who is president of the "Lawyers for Democracy" and former vice-president of the Bharatiya Janata Party, said that the mere appointment of a committee would not ensure justice.

"The better way would be to prosecute the suspects. Every criminal lawyer knows that truth can be discovered only by arresting the suspects and grilling them in the interrogation room. But who will do it on Mr Gandhi as long as he remains Prime Minister". Mr Jethmalani asked.

In a related development in the Capital Mr Rajinder Puri, a journalist and Ekta Party President, sent an application to Mr Zail Singh along with

Mr Jethmalani's note on the subject, seeking his permission to prosecute the Prime Minister on corruption charges.

Mr Puri has alleged in his application dated 14 June that Mr Gandhi was a party to a criminal conspiracy with Win Chadha, representative of Anatron Corporation and others unknown, to commit an offence under Section 5(2) of the Prevention of Corruption Act, 1947 in connection with the Bofors deal.

Mr Puri has sought the Presidential sanction under section six of the 1947 Act.

Later Congress general secretary G K Moopnar, in a statement said that

"all of Mr Jethmalani's allegations are a smoke screen to cover his basic antipathy to India's emergence as a strong independent nation".

"He stands unmasked as a dealer in dirt and a practitioner of the politics of gutter", Mr Moopanar remarked.

The Prime Minister is scheduled to discuss with the Opposition leaders here the Audit Bureau report on the Bofors issue.

Before attending the meeting, the Opposition leaders would have discussions among themselves to evolve a common strategy to pursue the matter to bring the culprits to book.

Several opposition parties feel that the chairmanship of the proposed parliamentary committee should go to one of them as is the case with Public Accounts Committee.

Fernandes Letter To Singh

Calcutta THE TELEGRAPH in English 17 Jun 87 p 7

[Text]

The following is the text of the letter written by the Janata leader, Mr George Fernandes, to President Zail Singh on the Bofors affair:

June 13, 1987

Giani Zail Singh,
President of India,
New Delhi

Dear Mr President,

An invitation from "The Other Economic Summit" to participate in a meeting in London on May 2, to discuss the Report of the World Commission on Environment and Development (also known as The Bruntland Report), and another invitation to the conference of the Confederation of European Socialist Parties in Cascais in Portugal from May 3 to May 6, took me to Europe during last month. While in London, I was also invited to participate in the meeting of the Swedish Committee of the Right Livelihood Foundation (the sponsors of what has come to be known as the Alternative Nobel Prize), in Stockholm on May 9. I took advantage of this opportunity to make some investigations into the Bofors and the German submarine deals which have been the subject of so much public discussion in India and abroad in these recent months.

A visit to my brother and his family in Toronto, Canada was used by me to drive down to Washington DC and New York

to meet with Michael Hershman of Fairfax Group Ltd, in Annandale, Virginia, and discuss with him the controversy over his appointment by the finance ministry of the government of India to unearth the foreign exchange frauds involving Indian businessmen and their political patrons.

I am now giving you this report of my talks, findings, observations and conclusions, in the hope that it will receive careful consideration from you. I believe that there is a common thread that links all these deals and controversies that have rocked our country and have not only made news all over the world, but have brought considerable discredit to our country. But more importantly, each of these matters is directly connected with India's security, and a stage has been reached where that security has been definitely endangered.

My meeting with Mr Michael Hershman left me with the impression that he has in his possession information that is highly incriminating against the Indian government. If he has not made public what he knows, it is for reasons that I am aware of but shall not put on paper.

Mr Hershman kept insisting that his fight was for justice for the Indian people who were honest and hard working, but whose money was being siphoned out of this country by the business sharks and their political patrons.

He said that he accepted the Indian government's assignment because he was "convinced about the sincerity and integrity of Mr V.P. Singh and Mr Bhure Lal and was aware of how earnest they were to clean up corruption in India." He is also fully aware of the fact that "both V.P. Singh and Bhure Lal had to go because they were trying to clean up the rot."

Mr Hershman told me that, "all heads of corporations who do business with India say that no business can be done (with India) without paying money. There are agents who act as intermediaries in these deals. And nothing has changed in Mr Gandhi's regime." He referred to the Swiss banks, Hong Kong and other places that are used by the Indians who are dealing with such ill-gotten money.

He told me: "I have an ace in the hole. I have drawn a line, and when they have crossed it, I will come out." And he left me in no doubt about how ominous this threat was.

Asserting that he had documents to show that he was appointed by the Indian government, he told me that he was still working for the government on the basis of that appointment as no termination notice had been served on him.

He was highly incensed at Mr Gandhi's campaign that he (Hershman) was a "destabiliser", and said: "Mr Gandhi says I am a destabiliser. He doesn't

need me for that. He is doing the job well himself."

While I have no reason whatsoever to doubt the sincerity and bonafides of Mr Hershman, what distresses me is that he has in his hands information that can bring down the Indian government. The termination of this contract, some 10 days after I saw him, does not alter the fact that he has power in his fist to deal a mortal blow to Mr Gandhi's regime.

I would have felt relieved if Mr Hershman were to release all the information in his possession, even if it created a situation in which the Congress(I) voted Mr Gandhi out from party leadership and chose another person to be the Prime Minister. In that case, the new leader would not be under constant fear of blackmail from any quarter within or outside the country. But now we have a Prime Minister who is constantly under pressure, and you can well imagine the consequences of that to the security of our nation.

I asked Mr Hershman about the German submarine deal. He neither confirmed nor denied whether he had made any investigations into the charges of payments of commissions on this deal. However, he said that this deal should be investigated.

Later, during my visit to Bonn, I met with a number of people and tried to understand the ramifications of the submarine deal. And the facts that have come to my notice have left me stunned.

India had ordered four submarines from HDW and IKL. HDW is a public sector undertaking owned jointly by the federal government of Germany and the state government of Schleswig-Holstief. The state government owns 25 per cent of the shares in this company while 75 per cent of the shares are held by Salzgitter AG, a company wholly owned by the federal government.

Two of the submarines ordered by India were to be built in Kiel, the German port and capital of the state of Schleswig-Holstief. The other two submarines are to be assembled in Mazagon Docks, Bombay. The total cost of the

four submarines is said to be two billion Deutsch mark, which, at the present rate of exchange, is equivalent to about Rs 1,400 crores.

There is general agreement that these submarines are deadly boats.

Soon after concluding the deal with India, the two German firms began negotiations with the apartheid regime of South Africa for sale of blueprints of these submarines. Secret negotiations were conducted between the top managements of these two companies and the representatives of the South African government. The deal with South Africa was clinched towards the end of 1983. On October 28, 1983, the company sought the formal clearance of the federal government to go through with the deal and made the following among other points in a letter marked "Personal and Confidential" from Ernst Pieper, the head of the chairboard of Salzgitter AG to Dr Gerhard Stoltenberg, federal minister of finance:

1. The South African government wants to buy a set of blueprints of the submarines which are being built at the moment for India with IKL plans.

2. The blueprints will go as micro films in diplomatic pouch across the border (someone will fetch them).

3. HDW received 40 million DM (Rs 28 crores). By this deal HDW wants to "buy" orders for trading vessels in order to secure jobs.

4. IKL received 10 million DM (Rs 7 crores). By this deal IKL wants to finance new development for the German submarine production (Bundesmarine and export.) (Note: "Bundesmarine" is the German Navy).

5. IKL would change the visible parts ("Aufbauten"), to avoid "German design."

6. HDW and IKL would have to give building assistance in a limited degree by sending specialists.

The entire South African project was codenamed by Salzgitter AG as "IK 97."

Blueprint to South Africa

The information gathered by me indicates that the South African deal was arranged by a German solicitor in Zurich, Switzerland, called Mr Altner. Mr Zoglmann, a one-time Liberal member of Parliament and later a member of Parliament from the Christian Social Union of Mr Strauss, who since retiring from Parliament has been working as an armaments lobbyist, received two million DM (Rs 1.4 crores) for the deal.

Mr Altner, the Zurich solicitor received 2.1 million DM as provisional payment which was to go to two persons, one from South Africa and one from Germany.

The kickbacks involved in this deal and its political implications were presumably responsible for the scandal that broke out in Germany over it in November, 1986. In the meanwhile, the blueprints had been delivered to South Africa towards the end of 1984 and the beginning of 1985.

A Parliamentary Committee investigations into the submarines deal with South Africa was instituted on December 10, 1986 following an uproar in Germany consequent upon the appearance of the news relating to this deal. In the Committee of Investigation, the representatives of the three government parties, namely the Christian Democratic Union (CUF), the Christian Social Union (CSU) and the Free Democratic Party (FDP) systematically obstructed the Committee's work. However, the following facts emerged in the course of the investigation:

1. The submarine design to South Africa is a type 1650 submarine which is based on the plans of the submarines for India and is geared specifically to South Africa's requirements.

2. It is slightly longer than the submarines built for India because of additional space for frogmen and sabotage units.

3. Frogmen can be released quickly and effectively from this special small submarine even at considerable depth.

4. The submarine will also be able to fire short-range missiles.

5. The submarine is suitable for raids on ports of frontline states, for more effective deployment of the South African special forces and for transporting munitions and personnel.

Research by concerned people in Germany and a study of the files involved in this deal brought the following facts to light:

1. 1982-1985—preparatory phase: HDW and IKL negotiated with South Africa, drew up a precise survey of South African industrial and ship-building capacities, established contact with South African, German and foreign component suppliers, laid down the details of the technical assistance to be granted to South Africa and delivered the blueprints to South Africa.

2. 1985: Construction of the first submarine was started. Internally it was agreed that the start of construction should at all events be denied by all contracting parties. The official explanation was to be that the start of construction had been deferred indefinitely. In secret papers, this "official position" is described as part of the "disinformation campaign." The assertion by HDW and IKL that the contract was not fully adhered to, eg, as regards technical assistance to South Africa, is probably also part of this "disinformation campaign."

3. Early in 1986, Herr Gerd Rademann, chief designer of HDW at the time, was transferred to Durban in South Africa. This is the location of the Sandock Austral shipyard where the submarines were to be constructed. According to the secret files, a senior designer from HDW was to be sent to South Africa for a total of five years. In Herr Rademann's case, this would have been until 1991. This is in line with the intended date of completion of the submarines, namely 1992.

I shall not burden you with the many other sordid aspects of this deal in this letter. If you are keen to know about them, I shall make them available to you. Just now, I am concerned with the many questions which our government has to answer.

My sources are emphatic in stating that Indian middlemen

who were involved in negotiating the submarine deal have received the same percentage of kickbacks as those involved in the South African deal, viz. five per cent of the total value of the submarines. In India's case, this amounts to 200 million DM which is about Rs 70 crores.

The German weekly *Der Spiegel* in a report on the Indian deal had mentioned the Hinduja's as the people who got the money. Later, they withdrew the charge for reasons that I shall not deal with in this letter.

I learnt from my sources that in the kind of contract entered into by India with German submarine builders, there is always an understanding that if the same designs are to be made available to another country, the earlier customer has to be consulted. Was India consulted by the German company?

The submarine being built for South Africa are meant for use only against the frontline states and could also be used against those countries which are supporting these frontline states. India is the most important country which supports the movement for freedom for the Black people of South Africa, and would, therefore, be high on the "hit list" of the racist South African regime.

South Africa has with it all information pertaining to the Indian submarines, while India has no clue of the modifications made in the South African versions.

India is the leader of the nonaligned movement. In that capacity, it should be, in the normal course, raising its voice against any arming of South Africa by any country in the world. But in this case, leave aside the question of raising its voice, India has actually colluded with Germany in arming the racist South African regime with highly lethal weapons.

And to crown it all, long after HDW-IKL entered into this clandestine deal with South Africa, Mr Gandhi personally ordered the purchase of two more submarines from West Germany. The price of these two submarines is nearly double that of the earlier ones,

which, of course, is understandable, given the cost escalations.

But it is no longer a secret that about Rs 70 crores are going into secret Swiss bank accounts as a result of this second order. HDW-IKL have made this obvious to the Indian government. And Mr Gandhi knows into whose accounts these monies are going.

I was repeatedly asked by concerned people in Bonn as to why the Opposition in India was not trying to find out the price at which the Indian government's silence has been purchased by the German company. These people are also aghast at the cynicism of Mr Gandhi who makes trips to frontline states and announces an "Africa Fund" to fight for the liberation of the Black people, and then colludes in arming the fascist South African regime.

Mr President, my biggest concern at the moment, however, is not who received how much from the submarine deals, and who were the ultimate beneficiaries from the kickbacks which are nearly 150 crores of rupees. The simple truth is that Mr Gandhi's deals, for that is what they are, have compromised India's defence and security interests. As these carefully concealed facts become public knowledge, India will have lost all its moral authority to fight for the Black people of South Africa. And worse still, these deals have made Mr Gandhi vulnerable to international blackmail.

All about Bofors

Now, about Bofors. In Stockholm, I had several meetings with the journalists from the Swedish National Radio who investigated and exposed the scandal involving the Indian government in the Bofors arms deal. I also met with members of Parliament, leaders of political parties, and people from the Peace Movement who have been engaged in making research into various Swedish arms deals and the scandals surrounding them.

Though there was jubilation in Sweden when the arms deal was signed between Bofors and

India, the scandal surrounding this deal has had a traumatic effect and there is now a sense of humiliation and betrayal among many sections of the people. The Swedish newspapers have been ruthless in their attack on the government of their country and have been reminding the foreign minister in particular about his public statement on April 4 that "the dirty weapons business should be washed thoroughly and in public."

The decision of the Swedish government to withhold the most incriminating parts of the report of the Auditor General is something that is unprecedented in Sweden's history. Several concerned people and organisations told me that they intend to move the courts to compel the government to publish the entire report and save Sweden from dirtying its hands in the cesspool of India's corruption.

You will have seen the unofficial translation of the report of the Auditor General which was forwarded to the Indian government on June 4 as also the note from the ministry for foreign affairs which sums up that report. I am enclosing herewith for your information a photocopy of the Swedish language original of the Auditor General's report as released by the Swedish government with certain parts deleted while photocopying it for release.

As has been stated in the report, Bofors did not cooperate with the National Audit Bureau. I have been told by my sources in Stockholm that the main argument put forward by Bofors while refusing to cooperate with the investigation was that any disclosures by them on their deal with India would compromise their customer, namely the government of India. I do not have to tell you what this means.

Whatever information has been made available by Bofors is also full of falsehoods and half truths.

For instance, Bofors say in their letter to the Indian ambassador on April 24 (page 3 of the English translation of the Auditor General's report), that "the statements made by AB Bofors that no middlemen/

representative/agent was used by Bofors to represent the company with the Indian authority to win the contract in 1986 was correct. Contract negotiations and other contacts took place directly between the ministry of defence and Bofors. Consequently, no middleman was used to win the contract of 1986."

On March 10, in a letter (page 3 of the report) addressed by the then president of Bofors, Mr Martin Ardbo, to the secretary, ministry of defence, Mr S.K. Bhatnagar, it is stated: "We hereby confirm that we do not have any representative/agent especially employed in India for this project."

Here I would like to draw your attention to a photocopy of a page from the house journal of Bofors, of June 1986, which is enclosed herewith. This page contains some entries made in a diary kept by Kerstin Frimodig who was the secretary to the Bofors negotiating team which was in India for four months from December 13, 1985 to the end of March 1986, and is titled "96 days and nights in a suitcase." The following English translation of two entries in this diary will give lie to the Bofors statement as well to the statement of Mr Gandhi about the existence or otherwise of middlemen.

Christmas eve (Julafton)

I am calling home at lunchtime to Sweden and they are just beginning to boil the ham. At 9 o'clock when everybody are still intensively working, Ingenar Visteus says: "Don't you know what day it is today." Mr Chadha, Bofors' representative here in India, is coming with present of the biggest gladiolus bought I have ever seen. The flowers have come from home from Bofors. It warms.

Christmas Day (Juldagen)

Mr Chadha has invited us all to his farm. In our honour he has bought a Christmas tree. The family has decorated it in the European way. And the

Christmas tree is planted in the garden. Martin Ardbo takes the first dig.

So we now have it from on the authority of the Bofors negotiating team secretary that Mr Chadha was Bofors' representative in India who was concerned with the negotiations of this deal.

The picture on the top left side of the page shows the Bofors team and Mr Chadha busy at work in a room in Delhi's Hotel Maurya, which was the camp office of the

Bofors delegation.

There is an important word used by Bofors in their letter of April 24, 1987 (page 3) to the Indian ambassador and in their oral information to the Auditor General (page 5) which explodes the positions taken by Mr Gandhi in Parliament and outside. That word is "contacts."

In their oral statement Bofors say:

"Agreements are usually entered into with a person or persons in the respective country to assist with knowledge of local conditions, practical arrangements, etc. (but not with sales). They receive payment according to efficiency (in principle). AB Bofors made use of such contacts in India. The company states that after the Indian government had made the requirement that the deal should be concluded directly between the parties without middlemen, they began to wind up these contacts. These "winding up negotiations" began in 1985 and an agreement on them was reached before the deal was concluded."

In the letter of April 24, they say:

"Contract negotiations and other contacts took place directly between the ministry of defence and Bofors."

So, the contacts were not the Chadhas and other minor scapegoats. Mr Gandhi was the defence minister who negotiated this deal. He knows who they are.

The statement by Bofors (page 5) has been at the instance of the government of India and is meant to cover up the scandal. But it fails to provide the alibi. In fact, this

entire statement on the so-called "winding up negotiations" is a highly sophisticated exercise in obfuscation and disinformation. And I will tell you how.

Kindly go through the enclosed transcript of the radio interview between Mr Aaberg and the Swedish Radio. You will notice that the so-called requirement of the Indian government that "middlemen should be avoided" was a very casual oral suggestion made by Mr Gandhi at a private visit which Mr Olof Palme paid to Mr Gandhi's family "when even the wife and kids were present." This casual request was made according to this interview in December 1985.

But more revealing is the statement that Bofors "began to wind up these contacts", after the so-called understanding to do away with the "middlemen." What it means is that "middlemen" is the same as "contacts" who need "winding up" at Rs 50 crores. And all this is done "directly between the ministry of defence (Mr Gandhi) and Bofors." (Letter of April 24.)

The whole sordid chapter throws light on the diabolical mind of Mr Gandhi. He wants to appear before Mr Palme as a "clean" person who does not want middlemen to make some easy money. So, he makes his request, with his wife and children as witnesses. As defence minister he asks Bofors to do the "winding up" negotiations and settles for three per cent of the total contract, which is a whopping Rs 50 crores. And this money as stated by Bofors to the Auditor General is disbursed during 1986 and has gone into secret accounts in Swiss banks. (The statement that the "winding up costs amounted to 2-3 per cent" should be treated with contempt. Bofors know exactly how much money was disbursed. It is not small change to be mentioned as 170-250 million).

The note from the ministry of foreign affairs dated June 4, 1987 in its penultimate para states categorically: "According to the National Audit Bureau investigation an agreement exists on settlement of commission subsequently to the howitzer deal and information exists that considerable sums have been disbursed referring to this contract. There have been other payments made by Bofors during the period of question, the purpose and recipient of which it has not been possible to clarify with the aid of the data available to the National Audit Bureau." This is four per cent of the total contract, i.e. about Rs 70 crores.

I would draw your special attention to two other points. First, the Auditor General's report says (page 7) that the "the National Audit Bureau has formed the opinion that since the Bank of Sweden did not consider it should make such an enquiry (with the Swiss banks with whom the money has been deposited in secret accounts), an application to the Swiss banks to obtain information about which payment/s were possibly forwarded should in that case be made by the (Swedish) government."

The Swedish government has so far not acted and it appears is not likely to act on this recommendation.

Second, the note of the Swedish foreign ministry states that, "Only AB Bofors is in a position to give a full account of its own payments. The government has therefore again urged AB Bofors to assist in shedding light on the matter."

And Bofors have decided not to do so.

Both are thus doing everything in their power to protect Mr Gandhi.

Senior Bofors officials have told my sources in Stockholm that Bofors will actually be

losing money on the Indian deal. This is because the total kickbacks amount to about seven per cent of the contract, ie something like Rs 120 crores. This does not include the very high monthly payment of Rs 2 lakhs made for several years to their Indian agent, Mr Chadha.

Mr President, I hope nobody gets fooled by Mr Gandhi's ploy of appointing a Parliamentary Committee to investigate into the Bofors deal. This is not to suggest that such a Committee should not be appointed. However, the appointment of the Committee should be preceded by:

1. The government of India making public the entire agreement with Bofors so that we know: a) who are the recipients of the commission of Rs 70 crores, and b) who are the other beneficiaries of this colossal arms deal.

2. The government should secure from Bofors and make public immediately all information pertaining to the payments of Rs 50 crores made in Swiss bank secret accounts and elsewhere to the *Indian contacts* mentioned on page 5 of the report.

3. Mr Gandhi should be asked to step down from office as he is the defence minister who was involved in this greatest ever scandal in free India's history, and his continuing in office will only hinder all investigative efforts by any agency of the government or any committee of Parliament.

If you need any clarifications on the contents of this letter, I am willing to give them. Meanwhile, I want to hope that you will do everything necessary to protect the country's honour, integrity and security, all of which are now in jeopardy because of Mr Gandhi's actions.

With regards.

Yours sincerely,
George Fernandes

/9274

CSO, 4600/1813

PAPER REPORTS GANDHI INTERVIEW WITH NAVBHARAT TIMES

Bombay THE TIMES OF INDIA in English 14 Jun 87 p 9

[Text]

NEW DELHI, June 13
(UNI).

THE Prime Minister, Mr Rajiv Gandhi, has asserted that the excess expenditure in the Bofors deal was incurred to terminate the arrangement with middlemen.

In an interview to the 'Navbharat Times' features editor, Mr Kanhaiyalal Nandan, Mr Gandhi quoted the Swedish government report to support his argument.

Mr Gandhi said this arrangement was possibly made in 1977. It was at India's instance that the arrangement was terminated.

"Anyway, now we are looking into the entire issue to find out how and why it all happened," he added.

Asked whether in view of the difficulties involved in total elimination of middlemen the government would regularise the arrangement as in the United States by issuing licences, Mr Gandhi said the suggestion could be considered.

He said it was for the first time that a parliamentary committee was being set up to look into a defence deal. The manner of constitution of this committee had itself become a subject of discussion.

Mr Gandhi did not think that the recent Indian action in dropping food and other supplies to the beleaguered population in Jaffna would in anyway affect SAARC. Member countries were clear about its objective.

He said India wanted a lasting solution to the Tamil problem within the framework of the unity and integrity of Sri Lanka. As for India, it had no intention to pressurise any neighbour or to act as a 'big brother'.

The Prime Minister agreed that conditions on India's border with China

were not good but he did not fear any clash.

As for Pakistan, the Prime Minister felt that Pakistan may still be some distance away from the nuclear bomb but it was not so far away that the matter could be dismissed lightly.

Asked about the recent riots in Meerut and Delhi, the Prime Minister said a thorough probe was being undertaken to find out what went wrong and where. Some corrective steps have been taken and more would be taken at an appropriate time.

The Prime Minister observed that India had never been strong in her public relations, particularly at the international level.

It did not have the necessary machinery as the United States or West Germany had. Even Pakistan was ahead of India in this. India had concentrated its attention on main issues but in the world today, it was necessary to attend to finer points.

The Prime Minister agreed that it was necessary to choose words carefully because it could lead to tensions.

When he criticised South Africa for her racial policies, some countries felt he was criticising them. The fact was that he was strongly critical of a wrong policy.

ARUN NEHRU DEFENDS GANDHI AGAINST CORRUPTION CHARGES

Calcutta THE TELEGRAPH in English 20 Jun 87 p 4

[Text]

Calcutta, June 19: The former Union minister of state for home affairs, Mr Arun Nehru, passing through Calcutta airport on his way home to New Delhi from a holiday in Bhutan, today refused to comment on reports in a section of the press about his alleged involvement in payoffs over an arms deal with Czechoslovakia.

"I have told you before that I do not react to gossip, and I say it again: Gossip does not help anyone," he told newsmen who tried to question him over the allegations about commission payments amounting to crores of rupees.

Mr Nehru point out that whenever the government decided to purchase arms, or anything else from abroad, a committee was set up to evaluate the proposed deal. The former minister said that it was now up to these bodies to decide

whether to order an inquiry into the matter.

Bofors: Mr Arun Nehru said there was no truth in allegations in certain quarters that the Prime Minister, Mr Rajiv Gandhi, was involved in the Bofors deal payoffs. Referring to the Opposition's role in raising and highlighting the issue, he said: "It is their business. (But) it would have been better if they had verified the truth before spreading gossip. Possibly they do not realise that it may rebound on them."

Haryana: Mr Nehru, who arrived here with his family members from Paro this morning, refused to comment on the results in the Haryana election, saying that he had been away in Bhutan at that time, at the invitation of the King, and that it was for the AICC(I) to comment on the matter.

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CSO: 4600/1830

COALITION MINISTRY ASSUMES OFFICE IN HARYANA

Bombay THE TIMES OF INDIA in English 21 Jun 87 p 1

[Text]

NEW DELHI, June 20
(UNI).

SIX-MEMBER Lok Dal (B)-Bharatiya Janata Party coalition ministry, headed by Mr Devi Lal, assumed office in Haryana today following the combine's landslide victory in the assembly polls.

Mr Devi Lal and five ministers, including one from BJP, were sworn in by the governor, Mr S. M. H. Burney, at a simple ceremony in Haryana bhavan here as the exhausted Mr Devi Lal was unable to go to Chandigarh, the state's capital.

Two non-Congress chief ministers — Mr N. T. Rama Rao of Andhra Pradesh and Mr E. K. Nayanar of Kerala and the BJP president, Mr L. K. Advani, were among those present at the swearing-in ceremony which took place inside the governor's chamber in the state guest house.

Immediately after the ceremony, Mr Devi Lal said he would support Mr Zail Singh if he agrees to contest the presidential election for a second term. "We will welcome if Mr Zail Singh contests the election", he told newsmen.

Replying to a question, he said "It is my personal view and I hope that my Lok Dal (B) colleagues will agree with me to support him".

Replying to questions, Mr Devi Lal said he would consult his cabinet colleagues on all aspects of the Punjab accord and decide on the future course of action. "The whole thing has been messed up by the Centre and the interests of people of Haryana have

been jeopardised."

Mr Devi Lal reiterated his party's total opposition to the Eradi commission recommendations on sharing of waters and outlined the steps he would initiate to fulfil election promises.

The third non-Congress government in the state was installed by the governor shortly after the victorious Lok Dal (B) legislators gathered at the Haryana bhavan and unanimously elected Mr Devi Lal as their leader at a meeting.

The Lok Dal ministers are: the former chief minister, Mr Banarsi Das Gupta (finance), Mr Virendra Singh (irrigation and power), Prof Sampat Singh (industries) and Mr K. R. Punia (development and panchayats). The lone BJP nominee in the cabinet, Mr Suraj Bhan, will be the revenue minister.

Mr Devi Lal has kept with himself the key portfolios of home, co-operation, health and public relations.

Mr Devi Lal accused the Prime Minister, the communications minister, Mr Arjun Singh, and the former minister, Mr Arun Nehru, of aggravating the situation in Punjab.

He charged these leaders with attempting to play politics through their emissary, the minister of state for

external affairs, Mr Natwar Singh, for 'fomenting Punjab-type trouble in Haryana'.

Mr Devi Lal said he would expand his ministry after returning to Chandigarh.

One of his first tasks would be to direct the district administration not to recover outstanding loans from landless labourers, small farmers and shopkeepers.

The new government took office amid jubilant scenes outside the state guest house. Hundreds of party workers and supporters had started gathering since morning and the crowd became so unmanageable that the authorities had to cancel at the last minute their move to have a public swearing-in ceremony in a specially erected shamiana. The roads leading to the Haryana Bhavan in Copernicus Marg were jammed with hundreds of vehicles.

Mr Dharam Vir, who defeated the former chief minister, Mr Bansi Lal, came in for special attention.

When asked if he would also include some MLAs belonging to the CPI and CPM into his cabinet at a later date, Mr Devi Lal replied, "I will see to it."

Chandigarh (UNI): The Haryana advocate-general, Mr Hawa Singh Hooda, resigned from the post in the wake of the Congress rout in the elections.

In a brief statement, Mr Hooda said he was resigning, keeping up the high traditions and conventions in a democratic set-up.

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CSO: 4600/1820

EDITORIAL ON MEANING OF HARYANA 'VERDICT'

New Delhi PATRIOT in English 19 Jun 87 p 1

[Editorial by R. K. Mishra]

[Text]

The electoral verdict in Haryana brings to the surface the gravity of the crisis Prime Minister Rajiv Gandhi and the Congress party can hardly afford to take superciliously any longer. The crisis has been brewing for over six months; it has now hit the party in the face with unprecedented ferocity: By all accounts Congressmen and women were mentally ready to lose Haryana to Chaudhury Devi Lal. But even the worst pessimist amongst them was not prepared for the rout the voters of Haryana have inflicted on the party. The message the voters of Haryana have sent is loud and clear: the Congress party has been alienated from the large segments of the people as never before.

Anti-Rajiv Gandhi crusaders will, no doubt, interpret this as the loss of the 1984 mandate and raise the demand that he should resign and order a mid-term poll. Rightwing hopes will soar that fissures in the Congress party will grow to unmanageable proportions. These will not be unexpected postures. The country and the people will, however, watch closely how Rajiv Gandhi responds to this crisis. First of all, does he recognise the existence of this crisis and its depth? Secondly, is he able to analyse correctly its causes or will he take advice from those who only speak what in their view is pleasing to the leader's ears? Will he be able to draw correct conclusions from the warning the people are giving him repeatedly?

In a democracy, electoral defeat should be taken in its stride. The Haryana outcome causes anxiety not because it affects an individual or a party. The questions we have raised are important because they are critical for the future of the country.

In 1967 the Congress under Indira Gandhi's leadership lost office in nine States. This led to a serious soul-searching and the party renewed itself in a dramatic manner. The loss of credibility the Congress is facing today is more serious than ever before and credibility cannot be restored by quick-fix solutions. A defeat should not cause panic; but a crisis cannot be overcome by pretending that it does not exist. Prime Minister Rajiv Gandhi and the Congress party will be able to fashion an appropriate response only if they face the bitter reality squarely. Steps to rectify mistakes can be taken only if it is acknowledged that mistakes were committed.

In politics adversity can be converted into an opportunity also. The 1984 Lok Sabha verdict was an abnormal affair; it was a highly emotional response to a national tragedy. From the mountain-top, the Congress party has come down to the ground and the country has

now returned to politics of normal time. If the Congress party wishes to climb up and regain its credibility with people it will have to negotiate a steep ascent. Will it be able to repeat what it was able to do twice under Indira Gandhi's leadership; rise defiantly from defeat to victory and win back the lost support of the people?

Prime Minister Rajiv Gandhi will make his first post-Haryana speech tomorrow at Shimla. What he says will indicate if he has chosen to fight back with courage and conviction. It will show if the existence of the crisis has been recognised and if serious introspection has begun. If this happens, it may still initiate the process of renewal of the Congress, the only all-India party we have today.

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CSO. 4600/1818

PROTESTS AGAINST ORISSA TEST RANGE CONTINUE, EXPAND

Interim Test Range

Calcutta THE TELEGRAPH in English 9 Jun 87 p 5

[Article by S. P. Nanda]

[Text]

Baliapal, June 8: The resistance movement against the proposed location of the National Test Range (NTR) at Baliapal in coastal Balasore district has assumed a new dimension with the disclosure by the defence ministry this week that the ongoing Interim Test Range (ITR) project at Chandipur, near Balasore, is part of the NTR.

The people of Baliapal got powerful support from the people of Balasore town, which observed a total bandh on June 1 in protest against the location of the ITR at Chandipur, which is only 3 kms from the district headquarters town. Hitherto, the people of Balasore had given only lukewarm support to the residents of Baliapal, after the government had explained to them that the NTR project would not affect them but would instead help in the development of the district.

Observers here feel that the government's efforts to isolate the people of Baliapal from the residents of Balasore town and other areas of the district will fail totally. The June 1 bandh registered an unexpected measure of success despite the arrest of the leaders of the NTR resistance movement particularly Mr Arun Dey of the CPI and Mr Samarendra Kundu of the Janata Party, and also despite the presence in the town since the

previous night of the chief minister, Mr J.B. Patnaik.

Fear turns to panic

The fear of the Balasore residents emanated from the statement of the minister of state for defence, Mr Arun Singh, in Parliament in April that a surface-to-air missile had been successfully tested at Chandipur. The fear developed into panic when Maj-Gen. Satish Chandra, director of the NTR project, indicated to the press in May that the testing of the powerful missiles would necessitate shifting of the local population elsewhere and removal of the concrete civilian structures. Mr Arun Dey reminded newsmen that the spoils of some missiles tested in early April had landed at Basudevpur, about 50 kms from Chandipur, with the local people "experiencing a shower of particles, including metal pieces." No damage to any property was, however, reported.

'Half-truth'

Adding to the sense of panic was the press reports from Delhi in early May quoting experts working on the ITR that no safety zone had been demarcated to Chandipur. It was only after the Balasore people's reaction was manifest through the June 1 bandh that the defence ministry issued a release denying the report about the non-demarcation of the safety zone. The release,

however, said a compound wall was being constructed to ensure safety of the people. This has not dispelled suspicions and the defence ministry's clarification is regarded as at best a "half-truth."

CM's remark confusing

The people here had so far been given the impression that the NTR would be confined to the Baliapal-Bhograi areas. The chief minister, Mr J.B. Patnaik, announced at a Congress(I) workers convention at Balasore on June 1, that the NTR would not be shifted to Chandipur. But his statement has only confused people in the light of the disclosure that the ITR is part of the "originally planned" NTR at Baliapal.

Mr J.B. Patnaik had never mentioned the NTR-ITR link and so there is suspicion that the government is not revealing the whole truth. It is feared that some of the areas left out from the proposed NTR site during a review about a year ago might gradually be included in it.

As far as the ITR is concerned, people in areas adjoining Balasore town have also begun to press fears about their eviction in the near future. They also feel that the ITR-NTR project would rob several lakhs of fisherman of their sources of livelihood and that the age-old marine fishing in Balasore district, on a wide stretch between Chowmukh in the north and Dharma in the south, would come to an end.

Resistance Turns Militant

Calcutta THE TELEGRAPH in English 10 Jun 87 p 5

[Article by S. P. Nanda]

[Text]

Balasore, June 9: The resistance movement against the national test range (NTR) in the Baliapal area turned more militant late last month, with the kidnapping of the Balasore district Youth Congress(I) president, Mr Jayanarayan Mohanty, a supporter of the project.

Mr Mohanty was kidnapped by hardliners among the agitationists, confined to a room and assaulted. The police managed to rescue him after several hours of confinement only with the help of other leaders of NTR movement. However, it has not yet dared to arrest the abductors, fearing that the agitation would then intensify further.

For the first time, too, two ministers belonging to Balasore district, Mr Jadunath Dash Mohapatra and Mr Bhupal Mohapatra, failed to attend a high school function in the Baliapal area (but outside the NTR site) as about 10,000 residents from the proposed NTR zone obstructed the road protesting against the location of the test range and their resultant eviction.

Taxes not paid

The state government has failed miserably in its attempts to "persuade" the people of Baliapal to accept the project and agree to their displacement. The special public relations officer posted at Baliapal three months ago with fairly adequate manpower and transport facilities has chosen not to move into the NTR site in the face of the movement. No other officials of the government have been able to enter the area either during the last one-and-a-half years.

The non-cooperation of the people with the government machinery in the form of non-payment of taxes continues. The government has retaliated with

an unannounced restriction of supplies of essential commodities and stoppage of development work.

The government's obvious intention to demoralise the people has not achieved the desired result, but on the other hand has left people more antagonised and agitated.

Land acquisition

The government's plan was to acquire the entire land of the NTR site by the end of summer next year (1988). The chief minister, however, made a statement last year that the land acquisition would be deferred till the people were ready to accept the plan for their rehabilitation elsewhere.

The CPI's Mr Arun Dey, a prominent leader of the resistance movement, has said that the government now intended to evacuate the Baliapal people by the end of this year (1987) itself, after starting the process of land acquisition around the Durga Puja time. He has reiterated his demand that the government first honour its commitment to persuade the people that their eviction was in their own interest.

CM avoids visit

The chief minister, Mr J.B. Patnaik, has been avoiding visiting Baliapal to meet the people and explain to them the justification of the project's location there. He has remained silent about his long overdue trip to Baliapal, after the last-minute deferment of his much-publicised scheduled visit in the latter part of last year, under the plea of heavy rains. To add to his embarrassment and fear, the local Congress(I) MLA, Mr Yudhisthir Jena, has now turned as strong critic of the NTR as any Opposition politician. Mr Patnaik undertook a three-day tour of Balasore district last month.

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CSO: 4600/1804

NEW WEST BENGAL TRIBAL ORGANIZATION GAINING GROUND

Calcutta THE STATESMAN in English 5 Jun 87 p 7

[Text]

A NEW tribal organization seems to be taking the wind out of the sails of older outfits such as the Jharkhand Party and the Jharkhand Mukti Morcha in Bankura, Purulia and Midnapore districts of West Bengal. Although professedly apolitical, the one-year-old Adivasi Jati Aikya Parishad (Primitive Tribes Unity Parishad) has already enlisted wide support among the tribals in these areas. The increasing support base of the organization was much in evidence at its second annual conference at Kainabour village in Bankura last April.

The parishad has called upon all tribals in the State to rally round it to usher in a new awakening. It projects itself as an umbrella organization which all tribal groups, irrespective of political affiliation, can join. As a matter of fact, even supporters of parties like the CPI(M) and the Congress have flocked to the parishad in several areas. The April conference was presided over by the RSP MLA, Mr Subhas Goswami, and attended, among others, by a well-known professor of Jawaharlal Nehru University.

The main plank of the parishad's propaganda is that despite all the tribal development schemes of the Central and the State Governments, the overwhelming majority of the tribals still eke out a living by working as contractors' labour, as they used to do before Independence. The fruits of schemes under the Integrated Tribal Development Project and the Rural Landless Employment Guarantee Programme rarely reach the groups for which they are meant. Taking advantage of the people's ignorance of their dues from these Government schemes,

corrupt officials and panchayat functionaries siphon off funds meant for uplift of the tribals.

The parishad was formed at a conference at Jhargram in April, 1986. It appealed to all the 33 recognized tribal groups in the State to unite and fight in "democratic ways" to realize their dues from these schemes. The parishad made it clear that it did not want to antagonize any political party; nor would it go in for any confrontation with the State Government. Along with highlighting the economic demands of the tribals, the organization reminded the people of their "tradition of revolt" during the British rule.

The Bankura meet, complained that tribals were often deprived of loan and other facilities if they could not produce deeds of their land to the panchayats. But a large number of people did not have any such deeds. Similarly, although the transfer of land to a non-tribal has been declared illegal, the practice goes on unabated with the connivance of the local administration. It had so far been possible for a tribal to get back his land sold to a non-tribal within the past 12 years.

The West Bengal Government amended the relevant legislation last year, enabling a tribal to get back his land sold to a non-tribal within 30 years. But the tribals never came to know of the change, although it could help many of them retrieve their plots. The conference complained that such instances of a communication gap between the tribals and the Government provided scope for vested interests to exploit the people.

Mohasweta Devi, well-known Bengali author, whom the confer-

ence elected its chairman, said to Calcutta on Wednesday that the parishad would soon chalk out an action programme to make tribals self-sufficient. Emphasizing that the parishad was not a political organization, she remarked it had been able to attract tribals of all shades of political opinion because the people had become "painfully aware" of the harmful effects of disunity on political lines. Although the tribals could never regain the old unity fostered by their own social systems, a renewed attempt at unity on basic economic demands would help them fend for themselves against the pressures of modern times.

Although the parishad wants to befriend all tribal organizations, the difference in its approaches from the political, often secessionist, lines of the Jharkhand Party and the Jharkhand Mukti Morcha is obvious. As Mohasweta Devi put it, "They have to live first and then preserve their language and culture or get a State". As a matter of fact, the parishad may act as a check on secessionist tendencies.

The organization can also gradually take over some of the voluntary work now executed by Christian missionary organizations. A member of the Council for Advancement of People's Action and Rural Technology (CAPART), under the Rural Development Department of the Union Agriculture Ministry, Mohasweta Devi regretted that there were few voluntary organizations in West Bengal which could be entrusted with executing CAPART schemes. She hoped the parishad would soon have units capable of planning and executing the schemes for which the funds are handed over directly to voluntary organizations.

WRITER SEES NEW POLITICAL TENDENCY IN MUSLIM YOUTH

Bombay THE TIMES OF INDIA in English 13 Jun 87 p 9

[Article by Bharat Bhushan]

[Text]

NEW DELHI, June 12.

IMMEDIATELY after the Shahi Imam ordered the reopening of Jama Masjid, there was a mad rush into the mosque. Having been denied the opportunity of praying at the mosque for two weeks, people seemed pleased that they could offer prayers, there this Friday at least.

They were laughing, shaking hands and congratulating each other. One of the devotees shouted to a bearded man at the door, perhaps an employee of the mosque, "Kyon Bhai Khomeini kya haal hain (So, how are you, Khomeini)? "Khomeini" smiled, shook hands with his friend and went inside with him to pray.

The very fact that even friendly banter is so immersed in the religious idiom is indicative of the influence of religion on the people. And no one knows this better than Syed Abdullah Bukhari, who became the first Shahi Imam of Jama Masjid to close down the mosque.

Ever since the Jama Masjid was completed in 1656, it has been closed only twice. To crush the local resistance to them and as a punishment to the Muslims who were at its forefront, the British closed it down from 1857 to 1862. But this time the mosque was closed by its own keeper to "punish" the government.

The Imam has indeed managed to force the government to accede to his demands. Action, including a departmental inquiry, is being initiated against the station house officer of Chandni Mahal police station and all the Muslims youngsters arrested during the riots are to be released on bail.

Most of them are expected to be free by this evening and if there is any hitch, a vacation magistrate or a special magistrate will expedite the bail

proceedings tomorrow. Apparently, a committee would also be set up to examine each case to decide whether the charges are fake.

The Imam seems unsure in victory—still suspecting that the government may be up to some tricks even in agreeing to his demands. Hence, his claim that "I am only 75 per cent satisfied" and the declaration that the black flags and banners put up in the Masjid and the black cloth covering some of the domes and minarets would not be pulled down just as yet.

And hence also the threat delivered minutes before reopening the mosque: "Aai meri quam too sun le! Agar choti-choti baton mein dhokha hua to mein kal subah phir se Jama Masjid band karwa doonga". (Listen O members of my community, if there is any betrayal on the small assurances given, then I will close down the Jama Masjid tomorrow once again.)

One reason why the Imam is unable to stage a complete climb-down is that only till yesterday evening he was busy rejecting government overtures. He dismissed the setting up of government inquiries as "the cold-storage approach," which he rejected completely. His cronies were feeding his belligerence and he was describing the issue as "international" claiming that "15 to 20" journalists from London and "10 to 15" journalists from the U.S. were coming to see him every day. And perhaps it is not easy to accept the overnight resolution of "international" issues.

In any case, the issue had certainly become national. The Muslim clergy had got divided on the legitimacy of the Shahi Imam's action and a poster war had begun. Two muftis of Deoband had issued fatwas (edicts) against the action of the Imam, another from Madarsa Ameeniah of Delhi had done the same but then beaten a retreat under pressure.

Posters appeared condemning the Deoband muftis. They were asked in one poster whether it was not true that they were issuing fatwas against the same Muslims of Delhi who give them donations, 40 per cent of which the muftis use for eating murg-mussallam at home?

They were also shamed by quoting the instance of a similar fatwa in Spain which had apparently resulted in the martyrdom of the Muslim General Tariq-Bin-Ziyad.

If "history" was not being bandied about, then it was sympathy. Here was a cause no one could question. (Indeed, even avowedly secular social workers in the walled city confirm the charges against the police and brand its behaviour in the recent riots as partisan).

It was a cause that all kinds of elements could cash in on. Thus even the redoubtable Haji Mastan put up a poster only this morning, describing himself as a dardmand (sympathiser), claiming that blood drops instead of tears were flowing from his eyes because "the blood of Muslims had become cheaper than dirty water."

This poster juxtaposed the picture of Haji Mastan, sadar, Dalit Muslim Minority Suraksha Mahasangh, to that of the Shahi Imam. Thus clearly, even those desirous of becoming a part of the sympathy wave were not hopeful of a solution so soon. So how did it come about?

Although no one questioned the path adopted by the Imam in public, many, including some influential

younger elements close to him, thought that his unilateral decision to close the Jama Masjid may become counter-productive if the situation persisted. And persist it would because the Imam was leaving to room for compromise. These forces seem to have prevailed upon the Imam to give up his intransigence which finally made the solution possible.

Thus if the resolution of the Jama masjid crisis is outwardly a victory for the Imam, it is also in fact a victory for the younger elements who have his ear. This is significant because it shows a movement, although small at present, towards the emergence of a new and younger political tendency.

It is perhaps too early to comment on the various elements of this incipient tendency. But it is significant that for the first time this year all the Muslim hotels and restaurants in the vicinity of Jama Masjid remained closed during the day in the month of Ramzan. A number of youngsters claimed that they helped in appealing to the owners to close shop.

It is equally significant that most political observers believe that the Naib Imam Syed Ahmad Bukhari, the Shahi Imam's son, may be coming out into his own as an important leader. His claim that he would be the first to disband the Adam Sena if the government banned all the religious senas and daks was described by an old inhabitant of the walled city as "jeete hue badshah ke bayanaat" (the statements of a victorious king).

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CSO: 4600/1806

DAMAN, DIU 'DELINK' FROM GOA, BECOME UNION TERRITORY

Bombay THE TIMES OF INDIA in English 17 Jun 87 p 19

[Text]

DAMAN, June 16.

DAMAN and Diu, the two coastal districts that were delinked from Goa yesterday, became a separate Union territory with the inauguration of the newly constituted Pradesh Council by the minister of state for home, Mr Chintamani Panigrahi.

The new administration will give top priority to the acute water problem in the region as well as to improvement of beaches and tourism promotion.

The governor of Goa, Dr Gopal Singh, who presided over the first meeting of the Pradesh Council, said the Union territory was poised for a rapid growth with larger funds allocated to it this year. Against the usual budget allocation of Rs 3 crores, Daman and Diu were granted Rs 11 crores this year, he said.

He hoped that the Daman Ganga project which was expected to meet the water needs of the people in Daman would be completed soon.

Mr Panigrahi in his inaugural speech greeted the people on the historic occasion and said it was the Prime Minister's policy to encourage the

democratic process in small areas and allow them to maintain their distinct identities.

The Goa chief minister, Mr Pratap Singh Rane, assured the people of Daman and Diu of all possible help and co-operation as in the past. "We would continue to share each other's joys and sorrows as we have done for hundreds of years," he said.

The 16-member new Pradesh Council which will advise the administrator on matters of public importance; includes Dr S. B. Solanki and Dr J. Prabhakar, who were members of the Goa assembly before Daman and Diu were delinked. Both of them have been designated councillors.

The council will be headed by the administrator and will have as members the two collectors of Daman and Diu, the village sarpanches and the presidents of the municipal councils.

Daman wore a festive look yesterday as local citizens took out colourful processions to herald a new chapter in the Union territory. By becoming a separate Union territory, Daman and Diu get their own administrator for the first time in several centuries. After its liberation from Portuguese rule in 1961, Daman and Diu were being administered from Goa.

/9274

CSO: 4600/1809

CONGRESS-I MP'S SAY OPPOSITION BRIEFED BY FOREIGNERS

Calcutta THE TELEGRAPH in English 18 Jun 87 p 4

[Text]

New Delhi, June 17: Ten Congress(I) members of Parliament today accused the Opposition leaders, mainly Mr Chandra Shekhar, Mr George Fernandes and Mr Ram Jethmalani, of being briefed by "certain foreign forces" to issue statements attacking the integrity of the Prime Minister, Mr Rajiv Gandhi and his government. They demanded an apology to Mr Gandhi.

In a statement released by the AICC(I) office, the Congress(I) MPs said it was a "part of the grand conspiracy to besiege the Indian state by forces inimical to the emergence of a strong India." Their charges were neither substantiated nor had they any basis and they had been briefed by "certain foreign sources," the statement said.

"The propoganda to malign the Prime Minister and involve the office of the President is not only a crude effort to destabilise the present government but also to undermine the democratic policy which has evolved during the past 37 years under "our present Constitution," it said. It also said that the frustration among these leaders was understandable because they had been repeatedly rejected by the people, but the mischief hatched

by them to gain political mileage was a dangerous step.

Mr Chandra Shekhar and Mr Fernandes had sought the President's intervention on the basis of the Swedish audit bureau report, drawing the conclusion that the Prime Minister, as the then defence minister was involved in the "irregularity" committed in the Bofors deal. Mr Jethmalani had demanded in Bombay yesterday, that Mr Gandhi be "prosecuted," as he felt that "Mr Gandhi and his friends" had received the commission and the kickbacks.

The Congress(I) MPs said that the Opposition leaders who had neither any following nor "credibility" among the masses, would not succeed against a government which enjoyed an unprecedented mandate from the people, in spite of their melodrama. The people of the country would never allow them to sit on the "right side" of the Speaker in the Lok Sabha, they said.

The signatories to the statement include, Mr Bhanu Pratap Sharma, Mrs Chandresh Kumari, Mr Ashik Gehlot, Mr D.P. Roy, Mr Pawan Bansal, Mr Ayub Khan, Mr Dilip Singh Bhuria, Mr Satyanarain Pawar, Mr Rameshwari Nikhara and Mr Aslam Sher Khan.

/9274

CSO: 4600/1815

FORMER KASHMIR CHIEF MINISTER LAUNCHES NEW PARTY

Calcutta THE TELEGRAPH in English 7 Jun 87 p 5

[Text]

Srinagar, June 6: The former Jammu and Kashmir chief minister, Mr Gulam Muhammad Shah, today launched a new political party called the Peoples National Conference (PNC) after the National Conference (NC) faction led by Begum Khalida Shah was dissolved at a party executive meeting held here.

According to the party sources, Begum Khalida Shah, who is the wife of the former chief minister, submitted her resignation as the party president recently because of "ill health." Mr Shah was thus asked to head the new party.

The constitution of the party would be drafted soon but there is every possibility of retaining the constitution of the NC (Khalida) after making some amend-

ments, the sources said.

The NC (Khalida) was formed by dissidents led by Mr Shah in May 1984 which was followed by toppling of the Farooq Abdullah government.

Mr Shah's NC faction ruled the state with the "with the support of the Congress(I)" from July 2, 1984 to March 7, 1985, when its government was dismissed by the governor Mr Jagmohan, in the wake of communal disturbances in some parts of the state.

The newly-formed party is likely to join the Muslim United Front as its 16th constituent or at least support it. Mr Shah is also planning an all-parties convention to discuss the problems faced by the people of Jammu and Kashmir.

/9274

CSO: 4600/1802

CPI-M LEADER HOLDS HYDERABAD PRESS CONFERENCE

Bombay THE TIMES OF INDIA in English 19 Jun 87 p 7

[Text]

HYDERABAD, June 18 (UNI). **T**HE CPM general secretary, Mr. E. M. S. Namboodiripad, today said his party was interested in forging a united front or a coalition of left, democratic and secular parties as a national alternative to the Congress.

Addressing a press conference here, he said that the front should be based on a set of policies. "It is not correct to think of an alternative personality to become the Prime Minister. Some opposition parties may agree to our proposals and others may not", he added.

He said: "The disaster that is taking place is not due to individual failings of Nehru, Mrs Indira Gandhi or Mr Rajiv but because of the basic class policies of the ruling party."

Mr Namboodiripad said that the CPM would go along with all non-left parties which took a secular stand. "We try to unite the left, we fight the communal and try to co-operate with all opposition parties".

Replying to a question, he said the CPI and the CPM co-operated on many national and international issues but differed on some others. With regard to the Telugu Desam, the CPI and the CPM differed. "According to us, it is a democratic party which has no caste or communal orientation so we want to co-operate with them. We want the CPI also to go along with us".

Asked if the CPM felt that there was an imperialist threat to the country, he said "of course". "The imperialists get the opportunity to destabilise the country because of the wrong policies pursued by the Congress", he added.

Regarding eminent jurist, Mr Ram Jethmalani's allegations that the Prime Minister had received kickbacks in the Bofors gun deal, he said: "How can I comment on somebody else's claim that he has evidence. He says he has it, let him push it through".

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CSO: 4600/1816

BAHUGUNA ELECTED PRESIDENT OF LOK DAL-B

Calcutta THE TELEGRAPH in English 20 Jun 87 p 4

[Text]

New Delhi, June 19: Mr H.N. Bahuguna has been unanimously elected the president of Lok Dal (B). The decision was taken at a joint meeting of the Lok Dal Parliamentary Board, the national executive and central office-bearers of the party.

Mr Bahuguna name was proposed by the Bihar Lok Dal leader, Mr Karpoori Thakur, and seconded by Mr Mulayam Singh Yadav and Mr Nathuram Mir-dha. The elevation of Mr Bahuguna has come with the consent of the chief minister-designate of Haryana, Mr Devi Lal, who is recovering from "extreme exhaustion" in a hospital in the capital.

Immediately after the announcement of his election, a beaming Mr Bahuguna told newsmen that the "epic Lok Dal victory in Haryana had rejuvenated the country's politics" and hoped that it would make Opposition unity easier.

Mr Bahuguna announced that the Lok Dal will soon lead a rally of "all patriotic forces" at the Boat Club. Asked whether it would be the first steps towards another exercise at Opposition unity, Mr Bahuguna said, "You will soon hear about that from the Boat Club." He declined to comment on whether he had any

specific programmes for Opposition unity. He said that the Lok-dal had already issued a call to the youth to "eradicate the politics of casteism and break the hold of multinationals and monopolists." He added: The youth is the future of the country and the Lok Dal will vehemently support its struggle."

The new Lok Dal president criticised the Rajiv Gandhi government for "taking the country to the precipice." He said: "In fact, I would say that there is no government in the country. Whatever government there is, is only bringing shame. Mr Rajiv Gandhi is heading a government of national shame and the Lok Dal is determined to throw it out."

Congratulating Mr Devi Lal, he gave him credit for maintaining communal harmony throughout his struggle. He charged Mr Rajiv Gandhi with having an "heinous record of communal killings." Attacking his government, Mr Bahuguna said, "If Mr Gandhi does not mend his ways, nemesis will meet him on the road."

Mr Bahuguna reiterated that the Devi Lal government in Haryana would fulfil its promise of abolishing all agricultural loans and said that farmers and the youth would have the "pride of place" under the Lok Dal government.

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CSO: 4600/1830

TEXT OF JANATA LEADER'S SECOND LETTER TO SINGH

Calcutta THE STATESMAN in English 23 Jun 87 p 1

[Text]

NEW DELHI, June 22.—Mr George Fernandes, chairman of the National Campaign Committee of the Janata Party, has written to the President demanding that he should ask for the Prime Minister's resignation and if he failed to do so, he should be dismissed.

The letter says:

"On June 13, I had written you a letter in which, among other matters, I had reported to you on the scandals surrounding India's submarine deal with the German firm, HDW-IKL.

"Later, when I had met you, you had mentioned to me that my letter had been forwarded to the Prime Minister. It seems to me that the Prime Minister has not yet replied to the many questions and issues raised therein.

"I am now sending you some specific questions on which you may seek immediate clarifications from the Prime Minister. These questions can and should be answered by him since he does not need to seek information from foreign Governments, companies or banks in these matters, and because they are directly concerned with India's security and interests.

"If the Prime Minister does not give immediate answers to these questions of vital importance, the only conclusion one will be left to draw is that he admits the charges implied in them. In which case, you should exercise any of the following two options:

A.—"Give permission for the prosecution of the Prime Minister

on charges of corruption and/or abetment in acts of corruption, and for jeopardizing India's relations with the countries which are fighting against apartheid in South Africa.

B.—"Ask the Prime Minister to resign from office, and should he fail to do so, dismiss him from office in the national interest.

The questions:

(1) "Even though there is an understanding between client and company that designs cannot be given to others without informing and getting the permission of the client, the designs of the submarines bought by India have been sold to South Africa. Why, has the Government not protested against this breach of understanding?

(2) "Why did the Prime Minister feign ignorance of the scandal that broke out in Germany regarding kickbacks on this submarine deal with South Africa in 1985-86?

(3) "Why did the Prime Minister not take up this matter with the German Government and the company since by giving our designs to South Africa our security had been compromised?

(4) "Is the Prime Minister not aware that with the German company arming South Africa with submarines based on our designs, with specific modifications for use against the ports and docks of the frontline States with what

appears as connivance by India, our country can no longer be a spokesman against apartheid?

(5) "Despite being aware of the sale of designs to South Africa, why did the Prime Minister as Defence Minister rush to place orders for two more identical design submarines?

(6) "Was the Prime Minister aware that the Hinduja brothers were the middlemen who had been paid a large amount of money in a Swiss Bank account on the purchase by India of four German submarines?

(7) "How much of this money was received by the Congress Party and/or its leaders?

(8) "What was the understanding between the Hinduja brothers and the Prime Minister on sharing the commission on the subsequent order of two submarines?

(9) "Under the Foreign Trade and Payments Act, any action by a German firm that could result in 'substantial impairment' of external relations is an offence that would send those guilty to prison for three years. India's silence on the sale of German submarines to South Africa has confounded everyone in Germany who had expected India to lead a chorus of protests that would have resulted in criminal prosecution of the managers responsible for this deal. Why is the Prime Minister continuing to maintain silence over this deal? Is he aware that in Germany it is said that his silence has been bought at a price paid through the Hinduja brothers?"

COMPOSITION, TASKS OF FINANCE COMMISSION

Bombay THE TIMES OF INDIA in English 18 Jun 87 p 9

[Text]

NEW DELHI, June 17.

MR N. K. P. Salve, MP and former Union minister of state, will head the ninth finance commission which was constituted today by the President under article 280 of the constitution.

The commission will make recommendations regarding distribution of net proceeds of Central taxes such as income-tax and excise duties between the Centre and states and the principles governing grants-in-aid of the revenues of states out of the consolidated fund of India.

To make the recommendations of the commission co-terminus with the five-year plans, it is being asked to make two reports: the first report covering a period of one year (1989-90) is to be presented by the end of June 1988, and the second covering the five-year period of the eighth plan (1990-95) by the end of June 1989.

The members of the commission are Mr Justice Abdus Sattar Qureshi of the Gujarat high court, Dr Raja J. Chelliah, member of the planning commission, Mr Lalthanawla, former chief minister of Mizoram, and Mr Mahesh Prasad, adviser, planning commission. The chairman and members of the commission are expected to assume office shortly.

According to the official an-

nouncement, the terms of reference of the commission involve some changes in approach compared to those of the previous ones. First, the commission has been asked to adopt a normative approach in assessing the receipt and expenditures on the revenue account not only of states but also of the Centre, keeping in view the special problems of each state and the special requirements of the Centre.

Second, the commission has been asked to keep in view the objective of generating surpluses on revenue account of both states and the Centre for capital investment.

Third, the commission, in making its recommendations, will have due regard to the need for providing adequate incentives for better resource mobilisation and financial discipline as well as closer linking of expenditure and revenue-raising decisions.

Under clause (c) of article 280(3) of the constitution, the President has also asked the commission to suggest changes, if any, to be made in the principles governing the distribution, among states, of the net proceeds of the additional excise duties in replacement of sales tax, levied and collected on articles such as textiles, sugar and tobacco, as well as grants-in-aid to be made available to states in lieu of the repealed tax on railway passenger fares.

The order also provides that the commission may make an assessment of the debt position of states as on March 31, 1989, and suggest corrective measures, keeping in view the financial requirements of the Centre. The commission may review the policy and arrangements in regard to the financing of relief expenditure by states affected by natural calamities and suggest modifications.

In this connection, the commission is being asked to examine, inter alia, the feasibility of establishing a national insurance fund to which the state governments may contribute a percentage of their revenue receipts.

ECONOMIC RESEARCH BODY ON 1986-87 GROWTH

New Delhi PATRIOT in English 7 Jun 87 p 9

[Text]

The Indian economy has grown by about five per cent in 1986-87, the second year of the seventh Plan, despite a "marginal" agricultural growth and fall in industrial production, according to the National Council of Applied Economic Research (NCAER), reports PTL.

Reviewing the performance of the economy in the last quarter of 1986-87 (January-March) in its journal "Margin", the Council contended the hopes of a substantial reduction in the foreign trade deficit in 1986-87, which looked "imminent" until sometime ago, "dimmed" considerably due to a rise in the import growth rates, towards the end of the year.

However, contrary to the earlier apprehensions of a decline in the level of the country's reserves, there was "a marked rise" in reserves to an all-time high of Rs 7,645 crore at end of March 1987, the Council said.

The Council said during 1986-87, money supply expansion was kept relatively under check, especially "in the year of the highest-ever budget deficit", by restraints on bank credit to the commercial sector.

Pointing out that the price situation seemed "satisfactory" in 1986-87, the Council has drawn attention to "a somewhat higher rise in terms of whole prices and a declaration in the growth rate of consumer prices" when compared to 1985-86.

Reviewing the growth profile

of the economy over the past one and a half decades, the council said that during the 15-year period, ending 1985-86, the economy grew at an average annual rate of 3.9 per cent — with the primary sector growing at an average rate of two per cent per annum, secondary sector at 4.3 per cent per annum and the services sector at 5.9 per cent per annum.

Though the overall rate of growth of the economy has risen to about five per cent per annum in recent years, the sectoral contributions, seem to have maintained their relative positions.

As a result, the Council said, the services sector has now emerged as the "largest" with a share of over 40 per cent in the economy.

This is followed by the primary sector with a share of about 37 per cent in 1985-86, having declined from about 50 per cent in the late 1960's.

In contrast to the sharp changes in the contribution of these sectors, the Council observed that the share of the secondary sector (manufacturing) increased only "marginally" from 20.7 per cent in 1970-71 to 21.9 per cent in 1985-86.

The Council said that with the continued high growth in the services sector it appears certain that the overall growth target of the seventh Plan would be achieved. But it is "doubtful if that will be true of the sectoral targets, especially those for agri-

culture and industrial output", it added.

Commenting on the Union budget for 1987-88, presented during the quarter under review, the Council said the focus in the Budget seemed to be on "Government expenditure, rather than on efforts to increase revenue, as never before had such a large gap, amounting to Rs 5,688 crore, been left uncovered".

Pointing out that the magnitude of the Central deficit does not seem "alarming" as it was about 2.5 per cent of the country's likely net national product this year, the Council cautioned that the composition of the deficit, however, shows "the deteriorating position of Government finance, especially on its revenue account".

Considering the sizable revenue deficit, the additional resource mobilisation of a mere Rs 322 crore seems "inadequate", the Council said.

Though the rationalisation of the tax structure is equally important, "one would wonder if the need for granting reliefs to the tune of Rs 595 crore was that urgent", the Council added.

Regarding agriculture, the Council pointed out during 1986-87 once again there was "inadequate" monsoon. Consequently, despite efforts to raise the area under high yielding varieties (HYV) by about 10 per cent and enhance fertiliser consumption

by 8.7 per cent, the index of agricultural production is unlikely to show any "perceptible" rise.

The most optimistic estimates place the 1986-87 foodgrain output at 151 million tonnes as against the target of 160 million tonnes, which has already been missed in 1985-86.

Regarding industrial production, the Council said it is expected to fall short "not only of the target but also of the 8.7 per cent growth posted in 1985-86". However, as there was some "amelioration" in the industrial growth rate towards November-December 1986, "over seven per cent" growth of the sector in 1986-87 appears "well within reach."

On exports, the Council said that it seems "certain" that the improvement evident in the trade deficit position in 1986-87 has, however, fallen short of expectations.

Though there was a "marked" improvement in the rate of export growth, aided partly by the low level of 1985-86, the imports could not be contained, especially towards the close of the year.

The Council warned that the prospects of a check on imports does not look very 'bright' now with the rising trend in the global prices of petroleum crude. Alongside, domestic production of crude oil also seem to have reached a plateau while the demand is expected to grow further.

This situation will necessitate higher imports of crude oil at "a much-higher-than-last-year's price and, consequently a marked rise in the country's import bill", the Council noted.

The Council contended that unless the exports grow faster than the growth in imports, a higher contribution from the non-resident Indians will be required to keep the balance of payments position in check, at a time when the burden of repayment to the IMF is likely to keep growing.

AGRICULTURAL EXPORTS RISE TO RECORD LEVEL IN 1986-87

Madras THE HINDU in English 16 Jun 87 p 10

[Text]

NEW DELHI, June 15.

Agricultural exports are estimated to have increased to a record level of Rs. 2131.40 crores during 1986-87.

This is Rs. 294.79 crores higher than exports worth Rs. 1836.61 crores effected in 1984-85 and Rs. 116.58 crores more than exports of Rs. 2014.82 crores in the agricultural sector in 1985-86.

These estimates relate to exports of cereals (rice and wheat), processed foods, tobacco, spices, cashew kernels, groundnuts, shellac and other miscellaneous agricultural commodities as well as marine products and exclude the plantation items, namely tea and coffee, according to an official release.

The available data indicate an all-time high in exports last year of cashewnuts, oil cakes, spices, marine products, basmati rice and syellac, the last two in terms of value and volume respectively.

Exports of cashewnuts have increased from Rs. 216.77 crores in 1985-86 to Rs. 335.14 crores in 1986-87, of oil cakes from Rs. 160.70 crores to Rs. 227.95 crores and groundnuts from Rs. 7.59 crores in 1985-86 to Rs. 29.79 crores in the last financial year.

Declining trend arrested: The performance in respect of oil cakes which include extractions of groundnut cotton seed, rice bran, soyabean etc. and constitute an important item of agricultural exports, indicates that the declining trend of recent years was arrested during 1986-87 due to some measures taken for improving exports of such items. These include the grant of cash compensation support (CCS) at the rate of 10 per cent of f.o.b. value on oilmeal exports with effect from April.

Export of rice have gone up from Rs. 173.23 crores in 1985-86 to Rs. 180 crores in 1986-87

of which Basmati rice accounted for Rs. 179 crores. The export of Basmati rice is allowed on Open General Licence (OGL) subject to minimum export price and compulsory pre-shipment inspection while non-Basmati rice exports are permitted within a limited ceiling subject to minimum export price.

Wheat exports in 1986-87 stood at Rs. 74 crores as against Rs. 55.49 crores in 1985-86.

Exports of processed foods increased from Rs. 286 crores in 1985-86 to Rs. 299 crores in 1986-87. Of this, the share of fresh fruits and vegetables, fruit and vegetable products and other processed food items stood at Rs. 220 crores compared to Rs. 210 crores in 1985-86 while meat and meat product exports accounted for Rs. 79 crores against Rs. 76 crores in 1985-86. During 1986-87, export earnings from spices increased to Rs. 301.98 crores against Rs. 282.52 crores in 1985-86 and of tobacco from Rs. 161.29 crores in 1985-86 to Rs. 171.84 crores in 1986-87.

Exports of marine products last year were valued at Rs. 460.67 crores compared to Rs. 398 crores in 1985-86.

Although bulk commodities such as cashew, cereals, tobacco, spices, groundnut and meat products account for a large share of agricultural exports and the country's share in the world market for value-added and processed food items continues to be disproportionately small, efforts are now on to increase unit value earnings by exports in the processed form.

Of the other agricultural items, export earnings from shellac declined to Rs. 25.67 crores against Rs. 40.82 crores in 1985-86, despite record rise in volume and of sugar and molasses to Rs. 18.19 crores in 1986-87 compared to Rs. 18.62 crores in 1985-86.

Decline in international prices adversely affected shellac exports in terms of value even though the quantity exported was substantially higher than in the previous years. —PTI

/9274

CSO 4600/1811

MAJLIS APPROVES NEW REGULATIONS ON IMPORTS, EXPORTS

Industrial-Mineral Exports

Tehran KEYHAN in Persian 1 Jun 87 p 18

[Excerpts] Political service

The open session of the Majlis was held yesterday, chaired by Hojjat ol-Eslam Hashemi-Rafsanjani, and the continuation of the session was chaired by Hojjat ol-Eslam Mehdi Karubi, the deputy speaker of the Majlis. In this session, the details of the bill on export and import regulations was studied and discussed, and eight articles of this bill were ratified as follows.

The details of the continuation of the report on the agenda of the Majlis yesterday follows.

Following the pre-agenda speeches and the reading of the reminders by the representatives to the executive officials of the country, the Majlis went into session and continued to examine the details of the export and import regulations bill which had remained from the previous session.

First the proposals for Article 22 were discussed.

Then, Articles 22 to 25 were each put to a vote and were ratified as follows.

Article 22. The pricing committee shall be comprised of the representatives of the Ministry of Commerce, the Central Bank, related ministries, the center for the development of exports, Iranian customs, and two persons from related unions introduced by the Iranian Chamber of Commerce, Industries and Mines.

Note 1. Should exporters not be members of the Chamber of Commerce, Industries and Mines or not have an export union, in place of the above-mentioned two persons, as the case may be, the representative of the directors of the cooperative or government companies will participate in the committee, upon the invitation of the Ministry of Commerce.

Note 2. The export rate of metals and metal ores will be determined with consideration for the price of international stocks by the Ministry of Mines and Metals, and will be accepted and implemented by the Central Bank of the Islamic Republic of Iran and the customs as a temporary bill. The final bill will be valid after it is verified by the pricing committee.

Article 23. After a currency agreement is obtained and the export license is signed, within a period of eight months, should it become clear to the customs office of the exporter of the goods that the currency agreement is under or over the amount received, the matter will be examined by the customs office and steps will be taken to correct the agreement.

Article 24. Goods that are reported to the bank for export before foreign currency is issued as well as goods exported vis-a-vis nonreturnable documented credit, in accordance with regulations to be included in the implemental bylaws, are entitled to a discount of 2 percent in the currency agreement.

Article 25. Exporters who sell the currency obtained from their exports to the banking system will be eligible for a discount of 11 percent in the currency agreement to compensate for waste and transportation expenses and as an export incentive. Discounts in excess of 11 percent shall be subject to approval by the committee in Article 26 of this law.

Then Article 26 was read and discussed.

Gholamreza Fada'i proposed the omission of Note 4 of this article. 'Ali Panahandeh and Rahmati opposed and supported this proposal, each expressing his views in connection with the proposal, which concerns the establishment of prizes for exporters. The representative of the government explained the details. The omission of Note 4 was put to a vote and was not ratified, but rejected.

Then Articles 26 and 27 were voted on separately and were ratified as follows.

Article 26. In order to encourage exporters of non-oil goods and to increase production and export of those goods, the Central Bank of the Islamic Republic of Iran is responsible to purchase, within a period of one month from the date of deposit, the currency obtained from the export of the above-mentioned goods by calculating export prizes, which will be determined and announced by a committee comprised of representatives of the director general of the Central Bank and the ministers of commerce and economic affairs and finance and the related minister (in accordance with the kind of goods) and the representative of the director general of the center for the expansion of Iranian exports.

Note 1. The decision of the above-mentioned committee shall be implemented with a majority of votes.

Note 2. Determined preferred prizes shall not be subject to reduction for a period of one year. In the event of a reduction after one year, they will include agreements deposited after that date.

Note 3. Rial funds for the payment of preferred prizes will be provided from the import of goods, concerning which the sale of non-oil currency will be approved and announced upon the calculation of export prizes.

Note 4. Prizes must not only be determined to guarantee a reasonable profit for the exporters and provide incentive for the expansion of non-oil exports but must also not result in inflation in the society.

Article 27. In order to create the proper conditions to attract exporters to the new markets and to provide incentives for the direct export of goods to countries that consume Iranian export goods as well as to increase exports to countries whose market has the potential for more export goods, the committee on Article 26 may, in such cases, add up to a maximum of 20 percent to the usual preferred rate. Then Article 28 was read and discussed.

The plan and budget committee proposed replacing Article 28 with a new article.

Movahhedi-Savoji and Hadi-Ghaffari spoke in opposition and support of this proposal and the spokesman of the commerce committee and the representative of the government provided details and opposed this proposal.

Then, the amending proposal of the plan and budget committee was put to a vote and was not ratified.

Then, Fo'ad Karimi proposed the omission of the phrase "entry of raw materials, machinery of production lines, spare parts and related equipment" from Paragraph B of the same article.

Dr Sheybani and Movahhedi-Savoji spoke in opposition and support of this proposal. The spokesman of the commerce committee and the representative of the government provided details in this regard and the proposal to omit the above-mentioned phrase was put to a vote and ratified as follows.

Article 28. The transfer of currency obtained from non-oil exports by the exporter to other licensed importers to import goods shall be possible as follows.

A. Exporters of the private and cooperative sectors may transfer their right to the use of the currency obtained from their exports to other actual or legal persons who have permission to import.

B. Currency obtained from exports by ministries, government establishments and companies under the control of or affiliated with the government shall be transferable to one another exclusively with the opinion of the related minister or his representative.

Note. Currency obtained from activities related to the transportation of goods will be subject to the exact facilities and benefits established for currency obtained from the export of goods while the content of the above article is taken into consideration.

At 10:40, the open session of the Majlis recessed.

Then Article 29 was put to a vote and was ratified as follows.

Article 29. Production, industrial and mining units engaging directly in the export of their products shall be exempt from income tax payments on 50 percent of the value of their exports.

Imports from Gulf

Tehran KEYHAN in Persian 3 Jun 87 p 18

[Excerpts] Political service. The open session of the Majlis was held yesterday, chaired by Hojjat ol-Eslam Hashemi-Rafsanjani, and the continuation of the session was chaired by Hojjat ol-Eslam Mehdi Karrubi, the deputy speaker of the Majlis. In this session, the details of the bill on export and import regulations was discussed and another 12 articles of this bill were ratified. These articles announce the procedures for the import of goods by passengers and workers residing in the sheikdoms.

The details of yesterday's agenda follows:

After the pre-agenda speeches and the reading of the reminders of the representatives to the executive officials of the country, the Majlis went into session and continued its examination of the articles of the bill on export and import regulations remaining from the previous session.

First Articles 30 to 38 were read and discussed. Because no proposals were made, each was put to a vote separately and ratified as follows.

Article 30. Government transportation companies and those affiliated with the government, including land, air, and sea transportation, must give priority to the transport of the export goods of the country. A committee comprised of the representatives of the Ministry of Commerce (center for the expansion of exports), the Ministry of Roads and Transport, the Central Bank, and related ministries (as the case may be) will be formed to provide appropriate discounts in transport fees, depending on the kind of goods.

C. Imports

Article 31. The government is responsible to declare impermissible the import of goods which are produced domestically in amounts sufficient to meet our needs or for which the potential for production is available, provided it would not result in inflation of the price of essential goods.

Note. The Ministry of Commerce is responsible to issue import licenses for goods that can be imported by observing the contents of this article in order to provide for shortages, in coordination with the related ministry.

Article 32. The government is responsible to continuously study the situation with regard to imported goods. Should it observe luxury items among them, they should be announced impermissible in the chart attached to the export and import regulations.

Article 33. At the time that the proposal is made to increase or decrease customs duties or determine or change commercial taxes or other amounts collected from imported goods, in accordance with its own ratifications the government must note that total amounts collected from imported manufactured goods is in ratio more than incomplete goods and that always the balance between the total amount received and the manufacturing phase of the goods is preserved.

Article 34. In regards to goods not produced sufficiently within the country and the deficit of which will need to be imported, the total amount collected by the government from similar imported goods must be established so as to provide effective support for domestic products.

Note. The contents of this article regarding essential goods must be implemented so as to not only provide domestic production but also to prevent increased domestic inflation.

Article 35. Considering the important issue of self-sufficiency in agricultural production and the importance of mechanization in increasing agricultural production, and taking into consideration the priority of the domestic manufacture of agricultural machinery and equipment along with the growth and expansion of the machine manufacturing industry of the country, the government is responsible to prepare the necessary bills to gradually eliminate the exemption from customs of such products within a period of six months and to present them to the Majlis for ratification.

Article 36. The responsibility of the purchasing committee established in the government commerce company, subject to single article No 1102RD, dated 24/9/1358 [15 November 1979], is conferred on the minister of commerce.

Article 37. Importers and producers of any kind of machinery, including agricultural, construction, and communication machinery, vehicles, and household appliances, simultaneous with the direct purchase of the above-mentioned machinery or the signing of agreements with other establishments and individuals, must take measures to procure the spare parts of the imported or produced goods and offer normal services. If deviations from this responsibility are proven, the violator shall be treated in accordance with regulations.

Article 38. The government is responsible to try to restrict variety in the machinery and equipment imported and to choose those kinds of machinery that are appropriate to the domestic manufacturing resources so as to ensure that the spare parts need not be procured exclusively from one or two countries.

Article 39. The price of all imported goods, including those in the private, cooperative, nationalized and government sectors, except in regards to souvenirs, gifts, goods brought by passengers, goods that require no currency transfer, goods which are subject to Note 4 of Article 4 and special military goods, must be approved by the Ministry of Commerce before the order is registered in the bank.

The government will determine the period for the examination of prices by the Ministry of Commerce in the implemental bylaws.

Note 1. In cases of price disputes between procurement and distribution centers and related organizations, a committee comprised of the fully-authorized representatives of the prime minister, the minister of commerce, and the related ministry shall examine and resolve the issue within a period of 15 days.

Note 2. All or part of the equipment related to projects the prices of which cannot be examined shall be exempt from examination upon the suggestion of the committee cited in Note 1 and the approval of the Cabinet.

Note 3. The value of imported goods that are approved by the procurement and distribution centers do not require reevaluation by the customs, with the exception of the following cases.

1. If the imported goods differ from the specifications in the order form.
2. If the stated tariff is incorrect and a change in the tariff will cause the exit of currency or change in customs duties and commercial taxes.
3. Goods that are purchased simultaneously from one source at two different prices.

Note 4. The release of special parts needed by production units is permissible upon a request by the related minister and with the consent of the minister of commerce before the order is registered in the bank, with consideration for other regulations.

Note 5. For the release of cargo subject to Note 4 of Article 4 of this law, the value of which is less than 100,000 rials and which is imported without registration, the agreement of the related ministry mentioned in the note referred to shall be sufficient, and, in the case of paper, ink and special printing material for printing money, any amount request by the Central Bank of the Islamic Republic of Iran shall be sufficient and shall require no price approval.

Article 40. The government is responsible to prepare and announce a separate list of goods which may be imported with the currency obtained from exports and those which require no transfer of currency, based on the needs of the country.

Sales procedures shall be determined in the implemental bylaws based on the fair currency rate of each item and in observance of the mutual interests of the exporters and consumers.

Note 1. Imports vis-a-vis exports may take place before the export of goods, provided the necessary banking collateral is presented to the Ministry of Commerce.

Note 2. The import or release of goods without currency transfer requires the permission of the Ministry of Commerce, and the amount shall be determined in the implemental bylaws.

Article 41. Article 20 of the implemental bylaws of the customs law ratified on 20/1/1351 will be amended as follows.

"Unused articles and foodstuff of passengers subject to Paragraph 5 of Article 27 of the customs law, provided they are not for commercial purposes, shall be exempt from customs duties and commercial taxes, up to 50,000 rials per year for each passenger (regardless of the number of trips), and additional goods up to 50,000 rials may be released with the payment of all related fees. Goods exceeding this amount shall be subject to the general regulations on exports and imports. Subsequently, only non-commercial goods up to 50,000 rials may be released, without any exemptions."

Note 1. The list of goods with the passengers and the regulations for their release shall be determined in the implemental bylaws.

Note 2. Goods prohibited from entry, video recorders and cameras, fruit, seeds, saplings, flower bulbs, and other plant materials are not included in this law.

Note 3. Workers residing in the sheikdoms of the Persian Gulf who have work permits issued by the Ministry of Labor and Social Affairs, in addition to the above-mentioned privileges, may import up to 200,000 rials (once a year) in permitted goods, with the payment of all commercial and other duties and taxes, and may sell them under governmental supervision.

10,000

CSO: 4640/135

PAPER ASSESSES WAR DAMAGES TO PETROCHEMICALS

Paris ARA in Persian 10 May 87 pp 1, 4, 5

[Article by Dr S. Ashna: "Evaluation of the Damages Resulting From the War: The End of the Petrochemical Activities." Paris ARA in Persian is a weekly published by Iranian dissidents.]

[Text] The destruction of six of our country's large, productive petrochemical industrial units in the past few years as a result of continuous enemy bombings is one more unfortunate, painful example of the unchecked damages inflicted on Iran, nation and country, by the Iran-Iraq war, the total of which at this time exceeds tens of billions. Even though, as a result of the destruction of the national wealth and resources of our sacred homeland, the masses of people continue to suffer daily from shortages of the products of these industries, the treacherous, usurping leaders of the Islamic Republic of Iran, oblivious to all these events, are not in the least concerned and do not speak a word about the importance and extent of this tragedy, like they do other tragedies.

Because of the loss of the Abadan refinery, for years now the regime has had to purchase refined oil from the producers of the Persian Gulf southern coast at horrendous prices in order to respond at least minimally to the needs of the people. In the area of petrochemical products, as well, the same course is followed. With the insignificant amount of imports of such products, it is hardly able to provide even 10 percent of the daily needs of the people, compared to previous times.

The poverty and destitution of the clerical government resulting from the loss of such vital and valuable units, and because of the incompetence and inexperience of the operators of the regime, has caused the government of Iran, which, before the appearance of the Islamic Republic, had been able to export significant amounts of the products of the petrochemical complexes abroad every year in addition to providing for domestic needs, to now stretch out a hand, begging everyone to allow them to import their leftover products at inflated prices several times their actual value, in order to try to provide, with coupons and rations, at least the minimal needs of the people.

Around the years 1345-1346 [21 March 1966-20 March 1968], the first activities of the petrochemical industries began in Iran. About two years later, about \$7 billion was invested in expanding the capacity of these units, which numbered six, to the extent that in 1353-1357 [21 March 1974-20 March 1979], the petrochemical industries in our country reached such an advanced stage that the products, in terms of high quality, had gained a respected position among foreign purchasers. Even though compared to other world industries the petrochemical industries do not have a long history in today's world, the alert Iranian nation had been able to keep up with this new, active industry and, like other modern industrial countries, to manufacture petrochemical products in keeping with international standards and to advance appropriately.

As a result of the change and the production of crude oil and natural gas, numerous petrochemical products produced were used mainly as one of the raw materials in tire manufacturing, plastics, cleaning powders and liquids, chemical and construction dyes, textiles, chemical fertilizers, soaps, toothpaste, cosmetics, pharmaceuticals, and many other factories and industries. Now, with the loss of these resources and as a result of the shortages of these raw materials, the industries of our country are in terrible shape, and the regime, without any pause, completely ignoring the destruction of such units, complains about the shortages of raw materials for the factories, using this fact as an excuse for the stopping of the activities of most of the factories in the country.

Awareness and realization of the extent of the damages inflicted as a result of the destruction of the petrochemical complexes in Iran, even though it pains the heart of every patriotic Iranian who loves his homeland and even though it adds another excruciating pain to his countless other pains, is not only necessary but obligatory.

The first petrochemical unit of our country to be totally destroyed was the "Abadan Petrochemical Company," which exported the following items annually:

P.V.C.	30,000 tons
D.V.P.	25,000 tons
Caustic soda	26,000 tons
Various dyes (70 percent industrial paints and 30 percent construction paints)	54,000 tons

The second complex to be destroyed was the Shahpur petrochemical unit, which manufactured the following products, a major part of which provided the most vital raw materials for the factories of the country, and some of which was also exported:

Sulphur	426,000 tons
Ammonia	289,000 tons
Urea	171,000 tons
Phosphoric acid	214,000 tons
Diammonium phosphate	214,000 tons

Another totally destroyed petrochemical complex was Khark petrochemical company. As a result of the destruction of the facilities in that island, one of the largest producers of raw materials for domestic factories was also totally destroyed.

In addition to liquid gas and sulphur, the other products of this company included those used mostly in medical and pharmaceutical establishments, research factories, and scientific institutions. Other products as well were manufactured and sent to market every day for various chemical fertilizers, which are essential to agriculture.

The Iran carbon company, near the city of Ahvaz, was the fourth production complex of our country to be turned into a pile of dirt as a result of the war. This company produced soot and carbon bars, the major part of which was used as raw materials for tire manufacturing and other factories, which meant that there was no need to import these items from abroad.

The Iran-Japan company, too, which the Japanese abandoned after this complex was bombed several times, and for which they are trying to receive payment from the regime of the Islamic Republic, would certainly be considered one of the largest petrochemical units in the world. This complex alone was able to provide most of the raw materials for the Iranian industries and gained a vast market in the southern countries of the Persian Gulf, East Asia and Europe.

Finally, the Iran-Neptune petrochemical company and its affiliated branch for the production of aromatics must be mentioned. It met a fate similar to that of other active units and today is no longer even mentioned by name.

We hope for a day when, with the efforts and courage of the lovers of Iran, our glorious and immortal homeland will once again be proud of having such facilities.

10,000
CSO: 4640/136

PANCHAYAT MEMBER SUSPENDED FOR SEEKING PARTY POLITICS

BK041056 Hong Kong AFP in English 1041 GMT 4 Jul 87

[Text] Kathmandu, July 4 (AFP)--A left-wing member of the national Panchayat (parliament) has been suspended for 15 days for calling for the restoration of party politics, an official source said here Saturday.

Bhim Bahadur Shrestha, elected from the District of Chataun, 90 kilometers (56 miles) south of here, was suspended Friday after criticizing the country's economic performance in the 26 years since the Panchayat was established.

It was the first time a Panchayat parliamentarian had been suspended.

Mr. Shrestha told parliament the Nepalese people had been getting poorer since the party-less, 140-seat legislature had been set up.

During an ensuing debate, he called for the restoration of party politics, as a means to gain the people's cooperation in fuelling economic recovery.

He repeated his appeal despite warnings from national Panchayat Chairman Nawa Raj Subedi and objections from hard-liners, who described his criticism as unconstitutional.

Mr. Subedi suspended Mr. Shrestha from attending parliament for 15 days.

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CSO: 4600/263

FORMATION OF TIP BREAKAWAY GROUP EXPLAINED

Islamabad THE MUSLIM in English 22 Jun 87 p 6

[Excerpt]

PESHAWAR, June 21: The break-away group of Tehrik-i-Istiqal led by its former central general secretary, Mushir Peshimam and NWFP chairman, Syed Munir Shah has announced the formation of the "National Patriotic Front" (NPF) aiming at coordinating the struggle for democracy in the country.

Mushir Peshimam and Syed Munir Shah told a News conference in Peshawar Saturday, that the Front would contact all the political forces including the ruling Muslim League and the MRD component parties to achieve a grand national reconciliation and ward off the impending national crisis. They said the NWPF would also strive to resolve differences between various ethnic groups and unite them in the democratic struggle.

Mr. Peshimam and Syed Munir Shah felt that none of the existing political parties was in a position to run the country's affairs alone. They said all political parties ought to wage a joint struggle to save the country from another martial law and rid it of bureaucratic control and anti democratic forces. They thought PPP should have learnt by now that alone it can't deliver the goods. It must think of sacrificing certain seats in Parliament with a view to involving smaller parties in the struggle for democracy.

The former TIP leaders said the convention of the breakaway group had authorised both of them to take any decisions to advance the avowed cause. They said the Front would decide which political party to join after accomplishing its task.

/13046

CSO: 4600/259

COMMENTARY VIEWS POSSIBLE COOPERATION BETWEEN POG, PPP

Islamabad THE MUSLIM in English 22 Jun 87 p 4

[Commentary by Dr Mohammad Waseem]

[Text]

On 11th June, Fakhar Imam, the leader of the Parliamentary Opposition Group (POG) hosted a dinner for PPP leader, Benazir Bhutto in Rawalpindi, which sparked off all sorts of speculation. Some saw in it the beginning of a fruitful co-operation between the Parliamentary opposition on the one hand and the political opposition outside parliament on the other. Others were rather sceptical of the political potential of this meeting. It did, however, succeed in creating a stir in interested quarters both within and outside the government.

MOTIVES

The motives of both sides are somewhat clear. The Parliamentary Opposition, led by Fakhar Imam, is now getting increasingly jittery over the way the National Assembly is being run after two years of the Junejo government. They are conscious of the fact that the whole experiment of partyless elections of 1985 has landed them nowhere. They complain of the arbitrary constitutional amendments of President Zia. They had signed the Indemnity Bill to pave the way for lifting of Martial Law and now regret doing so, seeing that the Junejo government is not very different from its predecessor. In their view, the present system works on patronage and co-optation, not on genuine public representation. They think that Prime Minister Junejo is not his own man as is amply manifested

through his government's attempt at imposition of Defence Tax on behalf of the 'real' military regime operating from behind the curtain.

This frustration notwithstanding, how could the POG claim 'innocence' after having participated in the 1985 elections, which were not held under the 1973 Constitution and which were boycotted by MRD? The dilemma of POG is therefore acute. It neither enjoys the government's patronage nor holds the mantle of legitimate opposition, in the presence of MRD which enjoys popularity in the nation at large. And yet, while operating within the Assembly for the last two years, it came closer to the declared aims of MRD, especially the holding of mid-term elections under the 1973 Constitution. It was in pursuit of this goal, that Fakhar Imam and his colleagues have met various MRD leaders during the last one year. It was in continuation of this grand search for legitimacy that Fakhar Imam took the initiative for inviting Benazir to dinner. In other words, he made a move to join the current of mainstream opposition politics, and in the process publicly acknowledged the legitimacy of PPP-MRD as the genuine representative of the people of Pakistan.

For Benazir Bhutto, the POG's initiative was a welcome move. On the one hand, her public posture as the leader of the biggest party was upheld by the sheer fact that the parliamentary opposition had approached her on its own, and accepted meeting her largely on her terms. On the other hand, she hoped to win over a new group of sympathisers in her grand struggle against the Zia-Junejo system. Her strategy revolved around making the dinner meeting an unabashed exercise in public

relationing. While no dialogue was conducted on political issues in private or public meetings, the dinner wore a public profile of high intensity for Benazir. She aimed less at winning POG's co-operation with PPP and more at making her presence felt in the Capital.

FIERY RHETORIC

Her fiery rhetoric notwithstanding, Benazir is conscious of the need to look conciliatory, ready to make overtures to likeminded people for joining hands, for the restoration of democracy and capable of coming to terms even with those who were working within the present system. While Fakhar Imam approached Benazir, and through her the MRD, in search of legitimacy, Benazir addressed the dinner meeting, and through it the military establishment, indicating that she was not as rigid as she was made out to be. While POG made a tactical move within the scope of a legitimate opposition, the PPP leadership took it up as a strategic opening, and thus played to the gallery most of the time. It is not surprising, therefore, to see Benazir utilising the occasion for maximum publicity. While POG aimed at substance, PPP aimed at style and carried the day. Benazir did not go into substantive issues such as formulating a joint strategy with POG, or even throwing up suggestions in this regard. Her speech reiterated old grievances but did not spell out new approaches.

BIG QUESTIONS

For PPP and, for that matter, MRD, the big questions remain: why should they bestow legitimacy on the parliamentary opposition? Is not the latter very much a part of the present system? How far can they go in talking to its leaders, without however compromising their joint political stand on the issue of assemblies? Would not their dialogue with the sitting legislators undermine the very basis of their boycott of 1985 elections? Most of the MRD parties can afford to answer these questions in the affirmative as champions of democratic principles. On the other hand, for PPP, as a serious contender for power, a constant search for political openings is paramount. It therefore, seeks to qualify these answers with pragmatism. Its current response to the POG leader's initiative falls into this category. If it can attract the attention of the powers that be through a feat of public relationing, it would not waste the opportunity. And that is precisely what it did.

All this puts tremendous pressure on the members of POG to relinquish their seats in the National Assembly and come out of the Zia-Junejo system 'triumphantly'. Their continued presence in the Assembly is generally perceived to be harmful for them in the long run. For example, there is no scope for them to influence the direction of law-making in any significant way. Nor do they enjoy organisational support from any quarters. The pro-MRD elements would, therefore, tend to stress on a clean-break policy for them. The members of POG, however, tend to take a different view of their role in the present set-up. The Zia-Junejo system direly needs to keep the semblance of an opposition in the National Assembly. In contrast with such particularistic groups as Shariat Mohaz and Islamist Group,

POG, under the leadership of Fakhar Imam, remains the only viable and creditable opposition within the National Assembly. This group is therefore, not ready to surrender its parliamentary seats as far as it can raise critical issues on the floor, analyse the ongoing legislation for what it is worth, and thus try to fill the vacuum caused by MRD parties' opting out of the system altogether. Also, most of the members of this group have kept their options open for the future. They may not like to identify themselves with MRD, which at best remains a conglomeration of vastly different parties, with somewhat unpredictable future.

With POG and PPP being so far apart from each other, how can we understand the logic of the dinner meeting between the two groups? Perhaps the answer lies not in their actually seeking support from each other, but from the public appearance of their doing so. Both sought to maximise their potential capacity in their own separate fields of operation by drawing upon each other's demonstrable resources. It may not however, lead to any big leap forward in co-operation between the two groups of leadership. The PPP might be waiting for an opportunity to settle the issue through agitational politics, whereas POG may be simply trying to carve out a respectable role in the system for itself, while not surrendering its present seats in the Assembly. Therefore, only a minimalist approach from both sides can be expected in the days and months to come.

[The writer teaches international relations at the Qaid-e-Azam University].

SIND DEMANDS SHARE OF BADIN OIL REVENUE

Islamabad THE MUSLIM in English 22 Jun 87 p 1

[Text]

KARACHI, June 21: Sind government has demanded excise duty and royalty from the Federal Government on the oil and gas being extracted in Badin and Hyderabad areas of the province.

Akhtar Ali G. Kazi, Sind's Finance Minister, informed the Sind Assembly in a written reply that the provincial government had agitated before the National Finance Commission in 1979 that excise duty and royalty on crude oil being produced in the province should be given to Sind.

This request, he said has again been filed before the National Finance Commission which was now in session. "If NFC does not give an award on this request, the matter will be agitated separately", he concluded.

The lady member from Hyderabad, Dr. Mrs. Amina Ashraf,

had asked in her query whether the Sind government was intending to negotiate with the Federal Government for allocating a suitable amount of funds from the revenue being raised from oil and gas of Hyderabad and Badin district for the uplift of these areas.

In reply to another question, the Sind's Chief Minister, Syed Ghous Ali Shah, informed the House through a written reply that 356 applications were received in the last three years from editors and publishers who sought declarations for bringing out daily newspapers or periodicals.

Of these applications, he said only 171 were pending for want of necessary documents. The decision, thereon shall be taken as soon as required documents are received and necessary formalities are completed.

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CSO: 4600/259

BHUTTO SAYS MRD NOW STRONGER

Islamabad THE MUSLIM in English 23 Jun 87 p 8

[Text]

KARACHI, June 22: The PPP leader Ms Benazir Bhutto has expressed the view that the Movement for the Restoration of Democracy was now a more consolidated and compact alliance and clear in objectives after the recently concluded marathon session of its party heads and the Central Executive Committee.

Talking informally to the newsmen at the Secretariat of her party - People's House - on the occasion of launching of a book on martyrs of the Sind Peoples Students Federation (SPSF) Jo Shaheed she said that whatever the reservations any leader may have had on any issue were cleared after candid expression of view in the last session.

"We on our part not only endorse the decisions but would do everything possible to help in their implementation", she said while referring to the decision on all parties moot taken on the initiative of the one of the component parties, JUI.

"We will offer all cooperation", she said and made it clear to the newsmen "there is no looking back on it when some newsmen repeatedly asked for her party's stand on the issue.

Replying to another question, she said the hasty revision made by the government in the Federal Budget in the wake of public protest has tarnished the country's image abroad.

"Our credibility has been impaired", she observed, and explained that the formulation of budget policies was not on sound lines.

Ms Bhutto also noted the publication of "inspired news" on the elections of PPP in Punjab. These

reports, she said suggested that a certain group has won while the other group has lost.

"The fact is that there was only PPP which has triumphed in the elections and has become powerful and confident," she remarked.

Ms Bhutto blamed the government for being callous and indifferent towards the younger people as a result of which they have become wayward.

She said the facilities to get education were virtually non-existent as the colleges and schools remain closed for most part of the year.

Instead of providing better atmosphere to acquire knowledge the government she charged was tempting the young people to adopt a wrong path and has created a 'Youth Fund' to bribe them.

She also lamented the growing unemployment which was the main factor for young people joining the dacoit gangs.

The answer to all these problems was not the use of brute force but better policies and attitudes to bring the social dropouts in the mainstream of national life, she said.

Earlier, speaking on the launching of book, SPSF, Jo Shaheed' she paid glowing tributes to the workers and leaders of Sind Peoples Federation who she said endured the worst conditions.

She said the SPSF workers have also laid down their lives for the glory of their motherland and were now the guiding spirit for others.

The book is about a dozen SPSF leaders who lost their lives during last ten years in the struggle for democracy and justice.

ACQUISITION OF FRIGATES SAID STILL UNDER CONSIDERATION

Islamabad THE MUSLIM in English 23 Jun 87 p 8

[Excerpt]

ISLAMABAD, June 22: The National Assembly was informed today that the matter regarding the acquisition of frigates from Britain was still under the consideration of the Government of Pakistan.

This was stated by the Minister of State for Defence, Rana Naecm Mehmud during the question hour.

Replying to a number of supplementaries, the Parliamentary Secretary for Defence, Col. (Retd) W. Herbert told the House that it was a big package and was being processed. He did not agree with the contention that the talks on the purchase of frigates with Great Britain during the recent visit of the Prime Minister, Muhammad Khan Junejo were not successful. The matter, he added was not finalised either during these discussions.

Gohar Ayub observed that the purchase of the frigates was not in the interest of the country and the huge amount of 1.5 billion dollars would be wasted.

Replying to another supplementary, the Defence Minister said no neighbouring country had raised any objection over the purchase of frigates from Britain. However, he said that the objection of the neighbouring countries did not make any difference to the purchase of

any defence equipment as "we decide what is good for Pakistan."

RELIANCE ON INDIGENOUS INDUSTRY

The Federal Communication Minister M. Aslam Khattak stressed the need for more reliance on indigenous industry and know-how instead of opting for foreign purchases through soft loans.

Answering a number of supplementaries, the Minister said, the Government will prefer to buy only when assured of transfer of technology to Pakistan.

Mr. Khattak said that Karachi shipyard had made vessels for Iran to the satisfaction of the Iranian Navy. He said: "I do not know why can't we make frigates in Pakistan." The Minister said: "We should not buy what we can make even at higher cost in the country".

Replying to a question put by Haji Unis Illahi, the Minister said, local manufacturing would generate employment opportunities. He said he was personally investigating why preference was not being given to local industry. He said the Karachi Shipyard was facing losses up to the tune of Rs. 100 million due to slump in the industry all over the world.

The Karachi Shipyard has so far built 116 big and small ships since 1980.

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CSO: 4600/259

CHECK URGED ON EXPORT 'SCANDALS'

Islamabad THE MUSLIM in English 23 Jun 87 p 4

[Editorial: "Export Scandals"]

[Text]

PAKISTAN'S exports are estimated to have gone up by 18 per cent this year compared to last year. But the exposure of one major export scandal after another raises some pertinent questions. For instance, how much of this year's exports of 3.5 billion dollars, and the earlier lower exports, are in fact heroin earnings sent home under the safe export cover. Or how much are funds sent abroad from Pakistan and recycled back as export earnings to claim refund of import and other duties allegedly paid on the raw materials imported to manufacture them as well as excise duties claimed to have been paid, and to obtain export credit at the rate of 6 per cent to be lent to others at incredibly high rates of interest. Such racketeers had earned large export rebates as well as long as such rebates were available, along with export credit at 3 per cent. But despite the abolition of export rebates and doubling of the interest rates for export credit from 3 to 6 per cent, large-scale racketeering in exports is flourishing because of the big gains to be made in collusion with the customs officials who share in the loot.

In the latest disclosure of such frauds, two companies were sending 25 consignments to Dubai valued at Rs. 57.6 million, and were to claim refund of duties and other payments to the extent of Rs. 12.6 million from the government. But the consignments were found to contain hardly anything and this has resulted in the arrest of two of the exporters and three customs staff.

Carrying foreign exchange out of Pakistan and bringing it back as export earnings has become easier since the introduction of the foreign exchange bearer certificates which can be taken out of Pakistan, freely cashed abroad and the money sent back home as

export earnings. As a result, if the sale of such certificates went up this year to Rs. 3,340 million, their encashment was as high as Rs. 2,320 million.

Such racketeering in exports has to be checked firmly even if it may result in a substantial fall in export earnings. Too many traders have gathered large fortunes through such rackets, particularly to obtain export credit at 6 per cent interest and trade on that merrily. Earlier, Dr. Mahbubul Haq had proposed to refund the 15 per cent paid as three import surcharges on the raw materials and two per cent paid as import licencing fee. Now with the defence surcharge of five per cent gone, the import licencing fee has been doubled to four per cent. All that may encourage more traders to take to such highly profitable frauds further. Hence determined steps have to be taken to eliminate such scandals and punish the culprits, and particularly the customs officers who have become millionaires by colluding with such criminals freely.

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CSO: 4600/259

END